# LINCOLN MINING CORPORATION

## Unaudited condensed interim
## Consolidated financial statements

**for the three months ended March 31, 2017**

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## Notice to Reader

Management has prepared the unaudited condensed interim consolidated financial statements for Lincoln Mining Corporation (the “Company”) in accordance with National Instrument 51-102 released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended March 31, 2017.

## LINCOLN MINING CORPORATION
### Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
*As at March 31, 2017 and December 31, 2016*

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

| | Notes | As at March 31, 2017 | As at December 31, 2016 |
|---|---|---|---|
| | | **$** | **$** |
| **Assets** | | | |
| Current assets | | | |
| Cash | | 49,094 | 47,021 |
| Receivables | | 21,315 | 20,259 |
| Prepaid expenses | | 64,863 | 93,689 |
| | | 135,272 | 160,969 |
| Non-current assets | | | |
| Equipment | | 9,493 | 10,653 |
| Deposits | | 19,865 | 19,880 |
| | | 29,358 | 30,533 |
| **Total assets** | | **164,630** | **191,502** |
| **Liabilities and shareholders' deficiency** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 757,984 | 753,968 |
| Due to related parties | 8 | 1,516,070 | 1,446,098 |
| Loans payable | 6 | 1,394,917 | 1,392,381 |
| Promissory notes | 7 | 597,905 | 596,614 |
| | | 4,266,876 | 4,189,061 |
| Non-current liabilities | | | |
| Promissory notes | 7 | 2,735,443 | 2,735,443 |
| Provision for environmental rehabilitation | 5 | 86,593 | 87,276 |
| | | 2,822,036 | 2,822,719 |
| **Total liabilities** | | **7,088,912** | **7,011,780** |
| **Shareholders' deficiency** | | | |
| Share capital | 9 | 21,425,218 | 21,425,218 |
| Capital reserves | 9 | 1,584,242 | 1,584,242 |
| Share subscriptions received in advance | 9 | 30,000 | 5,000 |
| Deficit | | (29,963,742) | (29,834,738) |
| **Total shareholders' deficiency** | | **(6,924,282)** | **(6,820,278)** |
| **Total liabilities and shareholders' deficiency** | | **164,630** | **191,502** |

Nature of operations (Note 1)
Commitment (Note 12)
Subsequent events (Note 14)

Approved and authorized by the Board on May 30, 2017.

*"Paul Saxton"* Director — Paul Saxton

*"Andrew Milligan "* Director — Andrew Milligan

## LINCOLN MINING CORPORATION

### Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited)

*For the three months ended March 31, 2017 and 2016*

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

| | Notes | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| **Exploration expenses** | **4** | **25,257** | **8,648** |
| **Administrative expenses** | | | |
| Administrative support | | 1,033 | 30,503 |
| Consulting and management fees | | 29,835 | 40,120 |
| Depreciation | | 1,160 | 916 |
| Foreign exchange gain | | (3,111) | (16,458) |
| Investor relations and shareholder services | | 44,474 | 7,022 |
| Office maintenance | | 10,916 | 4,135 |
| Professional fees | | 15,000 | 24,256 |
| Travel | | 1,372 | - |
| | | **100,679** | **90,494** |
| **Finance expenses** | | | |
| Interest expense | | 3,068 | 66,045 |
| | | **3,068** | **66,045** |
| **Loss and comprehensive for the period** | | **(129,004)** | **(165,187)** |
| **Basic and diluted loss per common share** | | $ (0.01) | $ (0.01) |
| **Weighted average number of common shares outstanding** | | **25,496,021** | **22,746,021** |

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

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| **Loss for the period** | **(129,004)** | **(165,187)** |
| Items not affecting cash: | | |
| Accrued interest expense | 3,068 | 66,045 |
| Depreciation | 1,160 | 916 |
| Unrealized foreign exchange | (1,424) | 5,170 |
| Changes in non-cash working capital items: | | |
| Increase in accounts payable, accrued liabilities and due to related parties | 73,988 | 81,998 |
| Decrease in prepaid expenses and deposits | 28,841 | 39 |
| Increase in receivables | (1,560) | (1,760) |
| **Net cash used in operating activities** | **(24,427)** | **(12,779)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share subscriptions received in advance | 25,000 | - |
| Loans from directors, net | 1,500 | 6,610 |
| **Net cash provided by financing activities** | **26,500** | **6,610** |
| **Net change in cash for the period** | 2,073 | (6,169) |
| **Cash, beginning of the period** | 47,021 | 14,929 |
| **Cash, end of the period** | **49,094** | **8,760** |

Supplemental cash flow information (Note 11)

# LINCOLN MINING CORPORATION
## Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

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

| | Number of shares | Share capital | Capital reserves | Share subscriptions received in advance | Deficit | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at December 31, 2015** | **22,746,021** | **21,184,769** | **1,565,441** | **-** | **(29,493,271)** | **(6,743,061)** |
| Loss for the period | - | - | - | - | (165,187) | (165,187) |
| **Balance at March 31, 2016** | **22,746,021** | **21,184,769** | **1,565,441** | **-** | **(29,658,458)** | **(6,908,248)** |
| **Balance at December 31, 2016** | **25,496,021** | **21,425,218** | **1,584,242** | **5,000** | **(29,834,738)** | **(6,820,278)** |
| Share subscriptions received | - | - | - | 25,000 | - | 25,000 |
| Loss for the period | - | - | - | - | (129,004) | (129,004) |
| **Balance at March 31, 2017** | **25,496,021** | **21,425,218** | **1,584,242** | **30,000** | **(29,963,742)** | **(6,924,282)** |

## 1 Nature of operations

Lincoln Mining Corporation (the "Company" or "Lincoln") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 400 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is a precious metals exploration and development company.

The consolidated financial statements of the Company for the year ended December 31, 2016 comprise the Company and its subsidiaries (Note 2(b)). 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") and the Frankfurt Stock Exchange ("ZMG").

## 2 Basis of Presentation

### (a) Basis of preparation

The condensed interim consolidated financial statements for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 - Interim Financial Reporting of 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 condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2016.

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company's most recent annual consolidated financial statements for the year ended December 31, 2016.

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

***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 since inception. Further, the Company has a working capital deficiency of $4,131,604 and total liabilities of $7,088,912. The future success of the Company 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 establishing future profitable production, or realization of proceeds on disposal.

Management recognizes that the Company will need to raise additional funds to maintain operations and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

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

***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 January 1, 2017 that had 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 future periods and have not been applied in preparing these consolidated financial statements. Management is assessing the impact on the Company's consolidated financial statements.

*Financial instruments*

IFRS 9 – Financial Instruments: Classification and Measurement. IFRS 9 is a new standard that will replace IAS 39. IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 introduces new requirements for the classification and measurement of financial instruments as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows in the form of principal and interest. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

**(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 or 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, the 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 |

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

### (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.

## 3 Critical accounting estimates and judgements

The preparation of consolidated 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:

***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:

***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.

## 4 Mineral properties

Exploration expenditures (recoveries) incurred during the three months ended March 31, 2017:

| | **United States** | | **Total** |
|---|---|---|---|
| | **Pine Grove** | **Oro Cruz** | |
| | **$** | **$** | **$** |
| Contractors | 80,500 | 331 | **80,831** |
| Field supplies | 174 | - | **174** |
| General administration | 17,372 | - | **17,372** |
| Geochemistry | 77,067 | - | **77,067** |
| Land maintenance | 106 | - | **106** |
| Permitting environment | 619 | - | **619** |
| Property evaluation | 2,151 | 993 | **3,144** |
| Vehicle operating | 130 | - | **130** |
| Recovery from a joint venture partner | (154,186) | - | **(154,186)** |
| **Total mineral property expenditures** | **23,933** | **1,324** | **25,257** |

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

Exploration expenditures (recoveries) incurred during the three months ended March 31, 2016:

| | United States | | | Total |
|---|---|---|---|---|
| | Pine Grove | Oro Cruz | Bell Mountain | |
| | $ | $ | $ | $ |
| Contractors | 10,920 | 2,465 | - | **13,385** |
| Drilling and metallurgical | 97 | - | - | **97** |
| General administration | 5,071 | - | (10,896) | **(5,825)** |
| Land maintenance | 991 | - | | **991** |
| **Total mineral property expenditures** | **17,079** | **2,465** | **(10,896)** | **8,648** |

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

**United States**

**(a) Pine Grove Property, Nevada**

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

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

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

The following non-refundable advance NSR payments must be made by the Company:
- US$10,000 upon signing the agreement (paid); and
- US$30,000 prior to each one year anniversary of the lease (Years 1-6 paid by the Company; Years 7-9 paid by Goldcliff).

(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 (paid to date).

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 (incurred to date)

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

In June 2016, Goldcliff Resource Corporation ("Goldcliff"), a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

(iv) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors have received a total of US$650,000 and 40,000 common shares of the Company as follows:
- On closing US$250,000 and 15,000 shares (paid)
- August 23, 2011 US$150,000 and 15,000 shares (paid)
- August 23, 2012 US$150,000 and 10,000 shares (paid)
- August 23, 2013 US$100,000 (paid)

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.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grover project in Nevada (the "Claim"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Claims for a one-time payment of US$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US$10,000 for the first year and US$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US$1,500,000 for a period of three years form the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company.

(v) In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

(vi) During the three months ended March 31, 2017, the Company was informed by the Nevada State Division of Water Resources that it was forfeiting certain of our water rights at Pine Grove for non-use. This was at the time when the Company was in the process of applying for a point of diversion change. The Company is now suing the Water Division for a return of its water rights.

**(b) Oro Cruz Property, California**

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

- US$50,000 on the execution date of the agreement (paid)
- US$50,000 by February 22, 2011 (paid)
- US$75,000 by February 22, 2012 (paid)
- US$75,000 by February 22, 2013 (paid)
- US$100,000 by February 22, 2014 ($50,000 paid)
- US$100,000 by February 22, 2015 (not paid)
- US$150,000 by February 22, 2016 (not paid)
- US$200,000 by February 22, 2017 (not paid) and each subsequent anniversary of the effective date

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

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

- US$250,000 cumulative amount expended by the end of the second lease year (incurred)
- US$300,000 during the third lease year (incurred)
- US$350,000 during the fourth lease year (not incurred)
- US$400,000 during the fifth lease year (not incurred)
- US$450,000 during the sixth lease year (not incurred)
- US$500,000 during the seventh lease year (not incurred)

The Company is currently in default on its payments for this property.

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

## 5 Provisions

The Company's recognized a constructive provision for environmental rehabilitation relating to a Pine Grove Property road, which will require future cleanup costs estimated to be approximately US$70,000. 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: term - 10 years; inflation rate – 0.7%, pre-tax risk-free interest rate - 2.8%.

The closing balance is summarized as follows:

| | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| | $ | $ |
| Beginning balance | 87,276 | 89,960 |
| Changes in exchange rates | (683) | (2,684) |
| **Closing balance** | **86,593** | **87,276** |

During the three months ended March 31, 2017, the finance costs in relation to the accretion of the provision are negligible.

## 6 Loans payable

The following loans were provided by directors, former directors and insiders to the Company to support its working capital requirements.

| | **Three months ended March 31, 2017** | **Year ended December 31, 2016** |
|---|---|---|
| | **$** | **$** |
| Opening balance | 1,392,381 | 1,376,307 |
| Loans provided during the year | 1,500 | 14,310 |
| Loans repaid during the year | - | (2,200) |
| Interest accrued during the year | 1,036 | 3,964 |
| **Closing balance** | **1,394,917** | **1,392,381** |

During the year ended December 31, 2016, the Company received $14,310, and repaid $2,200, unsecured demand loan from the President of the Company. During the three months ended March 31, 2017, the Company received additional $1,500 unsecured demand loan from the President of the Company. The loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty.

Effective January 1, 2016, all loans, except for the loans received from the President of the Company, ceased to accrue interest.

## 7 Promissory notes

On February 28, 2014, the $2,300,000 convertible debenture held by Procon Mining and Tunneling Ltd. and its affiliates (collectively, "Procon") (plus approximately $175,000 in accrued interest), was repaid in full and discharged using funds through promissory notes maturing February 28, 2019 from companies controlled by two directors of the Company (the "Loans"). The Loans were interest bearing at a rate of 6% per annum, payable monthly commencing April 1, 2014. Concurrent with the transaction, the two directors resigned from the Company. Effective January 1, 2016, the Loans ceased to accrue interest. Accrued interest on these Loans at December 31, 2016 was $260,389 (2015 - $260,389).

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

During the year ended December 31, 2014, the Company received advances pursuant to a promissory note of $1,029,000 from Golden Dreams Limited Partnership ("GDLP"), the general partner of which is Mr. Ronald K. Netolitzky, a control person of the Company. The advances were unsecured and would not bear interest until November 2014. In October 2014, the Company issued 6,860,000 common shares at a value of $0.15 per share to settle the debt of $1,029,000. During the year ended December 31, 2015, the Company also received advances of $25,000 (2014 - $400,000) from Mr. Ronald K. Netolitzky. During the year ended December 31, 2016, the Company received additional $15,000. The advances are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received $50,000 from an insider of the Company. The loan is unsecured and evidence by promissory notes bearing interest at 6% per annum, calculated and payable on demand. The Company may prepay the principal, in whole or in part, at any time without penalty.

During the year ended December 31, 2015, the Company received US$66,000 from a company that has an insider in common with Lincoln. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 6% per annum. The Company may prepay the principal, in whole or in part, at any time without penalty. Principal and accrued interest was payable upon termination of the note on December 31, 2015. The Company is currently in default of this note and is renegotiating the terms of the note.

During the year ended December 31, 2016, the Company received $6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

## 8 Related party transactions

The following transactions were carried out with related parties:

***Key management personnel – services rendered and other compensation***

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the three months ended March 31, 2017 and 2016 were as follows:

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|
| | $ | $ |
| Directors fees | - | 12,000 |
| Management fees | 27,000 | 27,000 |
| Exploration expenses | 29,832 | 20,252 |
| Accounting fees | 15,000 | 15,000 |
| Share-based compensation | - | - |
| **Total** | **74,252** | **74,252** |

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

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

***Balance due to related parties***

| | As at March 31, 2017 | As at December 31, 2016 |
|---|---|---|
| | **$** | **$** |
| Executive officers and their controlled companies | 1,347,729 | 1,277,757 |
| Directors | 154,269 | 154,269 |
| Others | 14,072 | 14,072 |
| **Total** | **1,516,070** | **1,446,098** |

***Loans from related parties***

See Notes 6 and 7 for further details.

***Other transactions with related parties***

During the three months ended March 31, 2017, the Company received $8,100 (2016 - $7,500) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

## 9 Share capital and reserves

### a) Authorized share capital

As at March 31, 2017, 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.

On August 16, 2016, the Company closed a non-brokered private placement. The Company issued a total of 2,750,000 units at a price of $0.10 per unit for total gross proceeds of $275,000. Each unit is comprised of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 per share until August 16, 2018. The Company paid $15,750 in cash commissions and issued a total of 157,500 finder's warrants having the same terms as the private placement warrants. The fair value of the finder's warrants was $18,801 calculated using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 198.64%; expected dividend yield – 0%; and risk-free rate – 0.52% (Note 11).

### b) Capital reserves

| | Capital reserve - options | Capital reserve - warrants | Capital reserve – convertible debenture | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Balance as at December 31, 2015 | **1,227,184** | 122,871 | 215,386 | 1,565,441 |
| Share issuance costs – finders' warrants | **-** | 18,801 | - | 18,801 |
| **Balance as at December 31, 2016 and March 31, 2017** | **1,227,184** | **141,672** | **215,386** | **1,584,242** |

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

### c) Stock options

As at March 31, 2017, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 1,809,000 | 0.15 | November 26, 2019 |
| **1,809,000** | | |

Stock option transactions for the three months ended March 31, 2017 and for year ended December 31, 2016 are summarized as follows:

| | **Three months ended March 31, 2017** | | **Year ended December 31, 2016** | |
|---|---|---|---|---|
| | Number of Options | Weighted average exercise price | Number of Options | Weighted average exercise price |
| | | **$** | | **$** |
| Balance, beginning of period | 1,809,000 | 0.15 | 2,024,000 | 0.15 |
| Expired | - | - | (215,000) | 0.15 |
| Balance, end of period | 1,809,000 | 0.15 | 1,809,000 | 0.15 |
| Options exercisable, end of period | 1,809,000 | 0.15 | 1,809,000 | 0.15 |

### d) Warrants

As at March 31, 2017, the Company had share purchase warrants, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 1,375,000 | 0.12 | August 16, 2018 |
| 157,500 | 0.12 | August 16, 2018 |
| **1,532,500** | | |

Warrants transactions for the three months ended March 31, 2017 and for year ended December 31, 2016 are summarized as follows:

| | **Three months ended March 31, 2017** | | **Year ended December 31, 2016** | |
|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price | Number of Warrants | Weighted average exercise price |
| | | **$** | | **$** |
| Balance, beginning of period | - | - | - | - |
| Issued | - | - | 1,532,500 | 0.12 |
| Balance, end of period | - | - | 1,532,500 | 0.12 |

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

### e) Share subscriptions received in advance

As at March 31, 2017, the Company received $30,000 related to a private placement that closed on April 26, 2017 (Note 14).

## 10 Financial instruments

***Capital risk management***

The Company defines its capital as shareholders' deficiency. 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***

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| **Financial assets *** | | |
| *Loans and receivables* | | |
| Cash | 49,094 | 47,021 |
| Other receivables | 18,965 | 19,343 |
| | 68,059 | 66,364 |
| **Financial liabilities** | | |
| **Current** | | |
| *Amortized at cost* | | |
| Accounts payable and accrued liabilities | 757,984 | 753,968 |
| Due to related parties | 1,516,070 | 1,446,098 |
| Loans payable | 1,394,917 | 1,392,381 |
| Promissory notes | 597,905 | 596,614 |
| **Non-current** | | |
| *Amortized at cost* | | |
| Promissory notes | 2,735,443 | 2,735,443 |
| | 7,002,319 | 6,924,504 |

* 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, other receivables, accounts payable and accrued liabilities, loans payable, and promissory notes approximated their fair value because of the relatively short-term nature of these instruments.

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

***Foreign exchange risk***

The Company's operations in the United States 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. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately $94,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

***Credit risk***

The Company is not exposed to material credit risk.

***Interest rate risk***

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates.

***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.

## 11 Supplemental cash flow information

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|
| | $ | $ |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |

On August 16, 2016, the Company issued a total of 157,500 finder's warrants with a fair value of $18,801 (Note 9).

## 12 Commitment

In addition to commitments disclosed elsewhere in the consolidated financial statements, pursuant to a premises lease, the Company's future lease commitment as at March 31, 2017 is as follows:

| | |
|---|---|
| 2017 | $ 41,778 |
| 2018 | $ 41,778 |

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

## 13 Segmented information

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties.

The Company operates within two geographic areas – United States of America and Canada.

| | **Non-current assets** |
|---|---|
| | **$** |
| **December 31, 2016** | |
| United States of America | 12,339 |
| Canada | 18,194 |
| | **30,533** |
| **March 31, 2017** | |
| United States of America | 11,200 |
| Canada | 18,158 |
| | **29,358** |

## 14 Subsequent events

(a) On April 26, 2017, the Company closed a non-brokered private placement. The Company issued a total of 11,400,000 units at a price of $0.05 per unit for total gross proceeds of $570,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.08 per share until April 26, 2022. The Company paid $32,200 in cash commissions and issued a total of 644,000 finder's warrants having the same terms as the private placement warrants.

(b) On May 9, 2017, the Company entered into a letter agreement, through its subsidiary, Lincoln Gold US Corp. ("Lincoln US"), granting Ausgold Resources Pty. Ltd. ("Ausgold") an option until June 30, 2017 to enter into a joint venture agreement for the development of the Oro Cruz Property located in Imperial Country, California ("JV Option"). As consideration for granting the JV Option, Ausgold has paid Lincoln US USD$7,500 and committed to purchasing USD$30,000 worth of securities in the Company's next private placement.

If the JV Option is exercised, the joint venture will cover the Hercules claims and the 131 claims held by Lincoln US as well as any mining interests or mineral properties acquired by either party within five miles of the Lincoln US claims.

If the JV Option is exercised, the parties agree to negotiate a formal joint venture agreement which will include the following:

i) periodic payments to Lincoln US from June 30, 2017 until January 15, 2019 totalling US$225,000 plus 200,000 shares of Ausgold (or an additional US$30,000 if Ausgold shares are not publicly traded);

ii) expenditures of an aggregate of US$1,000,000 by January 15, 2019 on the claims covered by the joint venture, with Ausgold as the operator;

iii) upon the above payments and expenditures being made, Ausgold will hold a 51% joint venture interest and Lincoln US will hold a 49% interest;

iv) upon Ausgold earning a 51% joint venture interest, Ausgold shall have the right to increase its interest in the joint venture to 75% by spending an additional US$1,100,000 on the joint venture properties by January 15, 2020.oln US claims.

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF MAY 30, 2017 TO ACCOMPANY THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE THREE MONTHS ENDED MARCH 31, 2017.

This Management's Discussion and Analysis ("MD&A"), which has been prepared as of May 30, 2017, should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2017 and the annual consolidated financial statements of the Company for the year ended December 31, 2016. 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" or "Lincoln") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 400 - 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. 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 two projects in various stages of exploration which include the Pine Grove property in Nevada, USA, and the Oro Cruz gold property in California, USA. In the United States, the Company operates under its subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp.

The Company's intention and strategies are to continue to advance its projects, with a long term goal of building Lincoln into a mid-tier gold producer.

### *Pine Grove Project Status*

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grove project in Nevada (the "Placer Claims"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Placer Claims for a one-time payment of US$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US$10,000 for the first year and US$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Placer Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company.

In June 2016, Goldcliff Resource Corporation ("Goldcliff"), a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US$1,400,000 in exploration expendiuture on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

The drilling program previously announced on October 27, 2016 was completed by mid-December. The 14 holes totalled 2,132.6 metres (6,9762.5 feet). All assays were received by the first of February and are reviewed in the news release of February 9$^{th}$, 2017.

***Oro Cruz Project Status***

No work was carried out on the Oro Cruz project during the quarter. The Company continues to investigate the possibility of joint venturing the project, upgrading the resources and advancing the project towards production.

## 2. Results of Operations

***Results of Operations – For the three months ended March 31, 2017***

For the three months ended March 31, 2017, the Company incurred an operational loss of $129,040 (2016: $165,187).

Due to market conditions and cash restraint, the Company decreased its costs related to administrative support, consulting and magement fees and professional fees compared to 2016.

Administrative support decreased by $29,470, or 96.6%, consulting and management fees decreased by $10,285, or 25.6%, and professional fees decreased by $9,256, or 38.2%. However, investor relations and shareholder services increased by $37,452 as a result of the private placement that closed in April 2017.

Also during the three months ended March 31, 2017, the Company incurred interest expense of $3,068 compared to $66,045 in 2016. The significant decrease in interest expense is a result of the loans and promissory notes, except for loans from the President of the Company, ceasing to accrue interest effective January 1, 2016.

*(in Canadian dollars, unless otherwise stated)*

The Company's key projects are Pine Grove, and Oro Cruz. The total costs incurred on all significant projects since 2007 is summarized in the table below:

| **Exploration expenses (recoveries)** | **Pine Grove** | **Oro Cruz** | **Bell Mountain** | **La-Bufa** | **Other properties (refunds)** | **Total** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| **March 31, 2017**, (IFRS reporting) | 23,933 | 1,324 | - | - | - | 25,257 |
| **2016**, (IFRS reporting) | (602) | 47,238 | - | - | - | 46,636 |
| **2015**, (IFRS reporting) | 162,901 | 83,380 | 33,104 | - | - | 279,385 |
| **2014**, (IFRS reporting) | 318,941 | 157,797 | 144,295 | 46,897 | 7,811 | 675,741 |
| **2013**, (IFRS reporting) | 326,388 | 119,081 | 1,200,383 | 87,646 | 32,150 | 1,765,648 |
| **2012,** (IFRS reporting) | 234,525 | 247,285 | 100,461 | 402,810 | 7,590 | 992,671 |
| **2011**, (IFRS reporting) | 610,664 | 404,483 | - | 1,240,844 | 11,288 | 2,267,279 |
| **2010**, (IFRS reporting) | 1,609,436 | 310,637 | - | 472,534 | 1,645 | 2,394,252 |
| **2009**, (Canadian GAAP) | 553,319 | 7,586 | - | 121,861 | (7,898) | 674,868 |
| **2008**, (Canadian GAAP) | 509,333 | - | - | 1,501,906 | 14,347 | 2,025,586 |
| **2007**, (Canadian GAAP) | 154,145 | - | - | 163,705 | 25,287 | 343,137 |
| | **4,502,983** | **1,378,811** | **1,478,243** | **4,038,203** | **92,220** | **11,490,460** |
| **Less recoveries** | **-** | **(328,765)** | **-** | **(1,051,735)** | **-** | **(1,380,500)** |
| **Total exploration expenses incurred** | **4,502,983** | **1,050,046** | **1,478,243** | **2,986,468** | **92,220** | **10,109,960** |

***Summary of Quarterly Results:***

| | **1st Quarter 2017** | **4th Quarter 2016** | **3rd Quarter 2016** | **2nd Quarter 2016** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenue | - | - | - | - |
| Exploration expenses (recovery) | 25,257 | (30,360) | 50,735 | 17,613 |
| Administrative expenses (incl. interest expense) | 103,747 | 71,578 | 117,215 | (13,636) |
| Loss and comprehensive loss | (129,004) | (4,353) | (167,950) | (3,977) |
| Basic and diluted loss per share | (0.01) | (0.00) | (0.01) | (0.00) |
| Total assets | 164,630 | 191,502 | 160,060 | 51,957 |
| Working capital deficiency | (4,131,604) | (4,028,092) | (4,021,850) | (4,121,395) |

*(in Canadian dollars, unless otherwise stated)*

| **2015 Quarterly Results:** | **1st Quarter 2016** | **4th Quarter 2015** | **3rd Quarter 2015** | **2nd Quarter 2015** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenue | - | - | - | - |
| Exploration expenses | 8,648 | 103,091 | 93,141 | 6,664 |
| Recovery of impairment | - | (104,923) | - | - |
| Administrative expenses (incl. interest expense) | 156,539 | 638,673 | 160,231 | 250,680 |
| Loss | (165,187) | (363,960) | (253,372) | (278,733) |
| Comprehensive loss | (165,187) | (363,960) | (253,372) | (257,326) |
| Basic and diluted loss per share | (0.01) | (0.02) | (0.01) | (0.01) |
| Total assets | 53,412 | 58,776 | 122,178 | 116,488 |
| Working capital deficiency | (4,075,832) | (3,947,898) | (3,628,207) | (3,416,829) |

The administrative expenses over the recent quarters decreased as a result of a serious working capital deficiency experienced by the Company.

## 3. Project Summaries and Activities

### PROJECTS - Overview

**Pine Grove Property, Nevada –** The Pine Grove project, located in Lyon County, Nevada, is the Company's most advanced project. At the time of writing of this MDA Lincoln is beginning the permitting studies needed to take the project to production. An amended and restated Preliminary Economic Assessment was issued on February 4, 2015 and filed with the British Columbia Securities Commission and is available for review under the Company's profile on SEDAR (see Lincoln news release February 16, 2015).

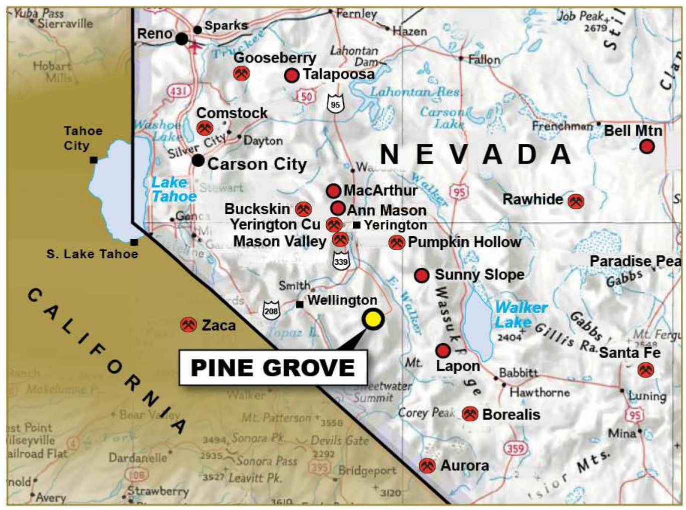
**Oro Cruz Property, California -** The Oro Cruz property has excellent potential for open-pit and underground mining. An Inferred resource for the project was reported in a NI 43-101 Technical Report in September 2010. Lincoln's immediate goal is to increase and advance the 376,600 Inferred ounces gold to Measured and Indicated categories by confirmation drilling. No significant work was completed since early 2013. New funding will be required for the confirmation program. Claim payments were made in late August to the BLM and the County to keep the claims in good standing. The Company is considering the possibility of a JV on the project.

***Pine Grove Gold Property, Lyon County, Nevada***

***Pine Grove – Overview:***

The Pine Grove Property continues as a development-stage gold project. 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 243 unpatented claims owned directly by Lincoln. The Company's land position covers approximately 7 square miles that encompass the main gold mineralization, 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 and 2010 by Lincoln.

On December 8, 2011, a Preliminary Economic Assessment (PEA) was issued by Telesto Nevada Inc. of Reno, NV. An amended and restated PEA was issued on February 4, 2015 by Welsh-Hagen Associates (formerly Telesto Nevada Inc.) and their Qualified Persons. (see Lincoln news release February 16, 2015)




The 2015 PEA reports total Measured and Indicated resources at 134,500 ozs gold contained in 3,373,000 tons of mineralized material grading 0.040 opt Au using a cutoff grade of 0.007 opt gold. Inferred resources were reported at 6,600 ozs gold contained in 160,000 tons of mineralized material grading 0.041 opt Au using a cutoff grade of 0.007 opt Au. In order to comply with the CIM definition for resources, only those mineralized blocks contained within a designed pit shell are reported as resources. These resources are contained in two conceptual pits, the Wheeler and the Wilson, based on a gold price of $1,425.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the Placer Claims on Lincoln's Pine Grove project in Nevada (the "Claims"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Placer Claims for a one-time payment of US$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US$10,000 for the first year and US$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Placer Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company.

In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US$1,400,000 in exploration expendiuture on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

Yearly land payments were made to the BLM and the County to keep the property in good standing.

### *Pine Grove – Preliminary Economic Assessment*

On February 16, 2015, Lincoln announced that it had received a positive PEA on the proposed open-pit and heap-leach operations at the Pine Grove gold project. A summary of total Measured and Indicated resources and Inferred resources is presented in the table below. Combined Measured resources (72%) and Indicated resources (28%) total 134,500 ozs gold within designed pit shells containing 3,373,000 tons of mineralized material grading 0.040 opt gold at a 0.007 opt gold cutoff grade. Combined Inferred resources within designed pit shells contain 160,000 tons of mineralized material grading 0.041 opt gold at a 0.007 opt gold cutoff grade. The pits were designed on a gold price of $1425 per oz. The PEA recommends two conventional open pits with a combined stripping ratio of 3.2:1 (Wheeler 2.2:1; Wilson 4.4:1). Contract mining would be employed with a goal of producing 1 million tons of leachable ore per year. Mining operations would be conducted 5 days per week, one shift per day. Crushing operations reducing the ore to 3/8-inch would be conducted 5 days per week, 2 shifts per day with 1 weekend maintenance shift. A gold recovery value of 75% is estimated if the crushed ore is agglomerated. The mine life is presently estimated at 5 years with gold production over a 4-year period ranging from approximately 23,000 to 27,000 ozs gold per year. Capital costs are estimated at approximately $29.8 million. At $1425 per oz gold, the project has an IRR of 23% after royalties, reclamation costs, and the Nevada net Proceeds Tax.

### *Recent Activities*

Planned additional work will include expanded archaeological surveys and hydrologic basin analysis. Also, some additional geochemical testing for acid-base accounting and water mobility is planned. As well, permitting for production is planned to begin early in 2017.

Lincoln plans to advance the Pine Grove project to an open-pit mine with heap-leach gold recovery. In that regard the Company has hired a senior permitting consultant to help it acquire all necessary permits for production. While a number of studies have been completed that are needed for permitting completion there are a few studies left to complete.

The Company announced on April 19th, 2017 that it has hired a Director of Permitting and Environmental Compliance. Mr. Del Fortner, who from 2003 to 2006 directed the Federal mining program for Nevada as Deputy State Director of the Bureau of Land Management (BLM), will assist the joint venture in developing the most cost effective and timely strategies for all exploration and mine development permit issues. He will also provide guidance for all communication with environmental consultants, local, state and federal agencies and local stakeholders.

In November 2016, the Company along with its JV partner, Goldcliff Resource Corporation began a 14 hole drill program on the north side of its Wilson patented ground. The drilling was completed by mid December 2016. All assays were received by the beginning of February 2017. A news release issued on February 9 2017 summarizes the assay results.

The Company was informed by the Nevada State Division of Water Resources that it was forfeiting certain of our water rights at Pine Grove for non-use. This was at the time when the Company was in the process of applying for a point of diversion change. The Company is now suing the Water Division for a return of its water rights.

***Oro Cruz Gold Property, Imperial County, California***

***Oro Cruz – Overview:***

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

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


***Oro Cruz – 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.

Claim payments were made in August to the BLM and County to keep the property in good standing.

*(in Canadian dollars, unless otherwise stated)*

***Oro Cruz – Geology & Mineralization:***

**Oro Cruz Gold Resources – September 2010 – Tetra Tech Report**

| 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 |

There was no work carried out on the property after the year end. However it was decided by the board of Directors that the Company should look for a JV partner to advance the project. The Company is talking to various company in that regard.

On May 9, 2017, the Company entered into a letter agreement, through its subsidiary, Lincoln Gold US Corp. ("Lincoln US"), granting Ausgold Resources Pty. Ltd. ("Ausgold") an option until June 30, 2017 to enter into a joint venture agreement for the development of the Oro Cruz Property located in Imperial Country, California ("JV Option"). As consideration for granting the JV Option, Ausgold has paid Lincoln US USD$7,500 and committed to purchasing USD$30,000 worth of securities in the Company's next private placement.

If the JV Option is exercised, the joint venture will cover the Hercules claims and the 131 claims held by Lincoln US as well as any mining interests or mineral properties acquired by either party within five miles of the Lincoln US claims.

If the JV Option is exercised, the parties agree to negotiate a formal joint venture agreement which will include the following:

i) periodic payments to Lincoln US from June 30, 2017 until January 15, 2019 totalling US$225,000 plus 200,000 shares of Ausgold (or an additional US$30,000 if Ausgold shares are not publicly traded);

ii) expenditures of an aggregate of US$1,000,000 by January 15, 2019 on the claims covered by the joint venture, with Ausgold as the operator;

iii) upon the above payments and expenditures being made, Ausgold will hold a 51% joint venture interest and Lincoln US will hold a 49% interest;

iv) upon Ausgold earning a 51% joint venture interest, Ausgold shall have the right to increase its interest in the joint venture to 75% by spending an additional US$1,100,000 on the joint venture properties by January 15, 2020.oln US claims.

**<u>New Opportunities</u>**

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.

*(in Canadian dollars, unless otherwise stated)*

## 4. Outstanding Share Data

The Company's issued and outstanding common shares are 36,896,021 as at the date of this report.

The Company has a total of 1,809,000 outstanding options with exercise price of $0.15 expiring on November 26, 2019.

The Company has a total of 1,532,500 share purchase warrants with exercise price of $0.12 expiring on August 16, 2018 and 11,400,000 share purchase warrants with exercise price of $0.058 expiring on April 26, 2022.

## 5. Related Party Transactions

The following transactions were carried out with related parties:

***Key management personnel – services rendered and other compensation***

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the three months ended March 31, 2017 and 2016 were as follows:

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|
| | $ | $ |
| Directors fees | - | 12,000 |
| Management fees | 27,000 | 27,000 |
| Exploration expenses | 29,832 | 20,252 |
| Accounting fees | 15,000 | 15,000 |
| Share-based compensation | - | - |
| **Total** | **74,252** | **74,252** |

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.

***Balance due to related parties***

| | As at March 31, 2017 | As at December 31, 2016 |
|---|---|---|
| | $ | $ |
| Executive officers and their controlled companies | 1,347,729 | 1,277,757 |
| Directors | 154,269 | 154,269 |
| Others | 14,072 | 14,072 |
| **Total** | **1,516,070** | **1,446,098** |

***Loans***

During the year ended December 31, 2014, the Company received a $24,300 unsecured demand loan from the President of the Company to fund the Company's current working capital requirements. During the year ended December 31, 2015, the Company received additional $7,200 unsecured demand loan from the President of the Company. During the year ended December 31, 2016, the Company received additional $14,310, and repaid $2,200, unsecured demand loan from the President of the Company. During the three months ended March 31, 2017, the Company received additional $1,500 unsecured demand loan from the President of the Company. The loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty.

During the year ended December, 2015, the Company received a $50,000 loan from an arm's length party. The loan is unsecured, bearing interest at 10% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty.

*(in Canadian dollars, unless otherwise stated)*

Effective January 1, 2016, all loans, except for the loans received from the President of the Company, ceased to accrue interest.

In February 2014, the $2,300,000 convertible debenture held by Procon (plus approximately $175,000 in accrued interest), was repaid in full and discharged using funds advanced to Lincoln through unsecured, non-convertible loans from companies controlled by two former directors of Lincoln (the "Loans"). The Loans bear interest at a rate of 6% per annum, payable monthly commencing April 1, 2014 for a term of five years at which point the principal amount owing under the Loans is due. Concurrent with the transaction, the two directors resigned from the Company. Effective January 1, 2016, the Loans ceased to accrue interest. Accrued interest on these Loans at December 31, 2016 was $260,389 (2015 - $260,389).

During the year ended December 31, 2014, the Company received advances pursuant to a promissory note of $1,029,000 from Golden Dreams Limited Partnership ("GDLP"), the general partner of which is Mr. Ronald K. Netolizky, a control person of the Company at the time. The advances were unsecured and did not bear interest until November 2014. In October 2014, the Company issued 6,860,000 common shares at a value of $0.15 per share to settle the debt of $1,029,000. The Company also received advances of $425,000 from Mr. Ronald K. Netolitzky. During the year ended December 31, 2016, the Company received additional $15,000. The advances are unsecure non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received loans totaling CDN$100,000 ($50,000 of which was received from an insider) and US$66,000 from Eros Resource Corp., a company with an insider in common with Lincoln (see news releases dated August 10 and 24, 2015 for details).

During the year ended December 31, 2016, the Company received $6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

***Other transactions with related parties***

During the three months ended March 31, 2017, the Company received $8,100 (2016 - $7,500) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

## 6. Liquidity and Solvency

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

| | **March 31, 2017** | **December 31, 2016** |
|---|---:|---:|
| | **$** | **$** |
| Working capital (deficiency) | (4,131,604) | (4,028,092) |
| Long-term debt | 2,822,036 | 2,822,719 |

| | **Three months ended March 31, 2017** | **Three months ended March 31, 2016** |
|---|---:|---:|
| | **$** | **$** |
| Cash used in operating activities | (24,427) | (12,779) |
| Cash used in investing activities | - | - |
| Cash provided by financing activities | 26,500 | 6,610 |
| Change in cash | 2,073 | (6,169) |

On August 16, 2016, the Company closed a non-brokered private placement. The Company issued a total of 2,750,000 units at a price of $0.10 per unit for total gross proceeds of $275,000. Each unit is comprised of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 per share until August 16, 2018. The Company paid $15,750 in cash commissions and issued a total of 157,500 finder's warrants having the same terms as the private placement warrants.

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.

On April 26, 2017, the Company closed a non-brokered private placement. The Company issued a total of 11,400,000 units at a price of $0.05 per unit for total gross proceeds of $570,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.08 per share until April 26, 2022. The Company paid $32,200 in cash commissions and issued a total of 644,000 finder's warrants having the same terms as the private placement warrants.

## 7. Commitment

During the year ended December 31, 2015, the Company signed a new office lease effective October 1, 2015 in the amount of $4,642 per month plus escalation for a period of three years.

## 8. Capital Resources

The Company's primary sources of funding are equity financing through the issuance of stock and 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 defines its capital as shareholders' deficiency. 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.

*(in Canadian dollars, unless otherwise stated)*

## 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 IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses for the period.

***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:

***Company's title on mineral property interests***

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

***Income taxes***

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

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

## 12. Financial Instruments

***Categories of financial instruments***

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| **Financial assets *** | | |
| *Loans and receivables* | | |
| Cash | 49,094 | 47,021 |
| Other receivables | 18,965 | 19,343 |
| | 68,059 | 66,364 |
| **Financial liabilities** | | |
| **Current** | | |
| *Amortized at cost* | | |
| Accounts payable and accrued liabilities | 757,984 | 753,968 |
| Due to related parties | 1,516,070 | 1,446,098 |
| Loans payable | 1,394,917 | 1,392,381 |
| Promissory notes | 597,905 | 596,614 |
| **Non-current** | | |
| *Amortized at cost* | | |
| Promissory notes | 2,735,443 | 2,735,443 |
| | 7,002,319 | 6,924,504 |

* 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, other receivables, accounts payable and accrued liabilities, loans from directors, and promissory notes 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 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. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately $94,000? 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. The Company does not hold any financial liabilities with variable interest rates.

***Liquidity risk***

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

***Price risk***

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

## 13. Risks and Uncertainties

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

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

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

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

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

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

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

## 14. Trends

Trends in the industry can materially affect how well any junior exploration company is performing. There are two trends that seem to affect the well-being of junior miners. One is the price of the commodity, which is being produced and the other is the general market condition. Over the last few years the trend in the prices of precious metals, in particular gold, has been downward on the spot basis as well as the average trailing prices of the metals. The gold price seems to have stabilized over the last year or so, and generally in the last few months the trend has been upward. The other aspect is the general stock market conditions. Unfortunately, the junior mining sector has been under tremendous negative pressure in the market over the last few years however this condition appears to be changing and is difficult to predict as markets for junior issurers has been up and down over the last year. Management believes that the markets will start to slowly improve for the juniors. Lincoln is committed to advance its properties to production as quickly as possible to get into a cash flow position.

## 15. Outlook

The outlook for precious metals appears to be slightly positive on the short term but depending on economic conditions world-wide and world events this could change especially as it relates to interest rate changes in the U.S. Lincoln 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. Lincoln management's objective is to become 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.