



**LINCOLN MINING CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**for the years ended December 31, 2016 and 2015**

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## 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, 2016 and 2015 and the consolidated statements of income and comprehensive income, cash flows, and changes in shareholders' deficiency 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, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Lincoln Mining Corporation's ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 28, 2017

**LINCOLN MINING CORPORATION**  
**Consolidated Statements of Financial Position**

As at December 31, 2016 and 2015

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

	Notes	As at December 31, 2016 \$	As at December 31, 2015 \$
<b>Assets</b>			
Current assets			
Cash		47,021	14,929
Receivables		20,259	10,631
Prepaid expenses		93,689	2,976
		160,969	28,536
Non-current assets			
Equipment		10,653	3,403
Deposits		19,880	26,837
		30,533	30,240
<b>Total assets</b>		<b>191,502</b>	<b>58,776</b>
<b>Liabilities and shareholders' deficiency</b>			
Current liabilities			
Accounts payable and accrued liabilities		753,968	855,817
Due to related parties	9	1,446,098	1,174,777
Loans payable	7	1,392,381	1,376,307
Promissory notes	8	596,614	569,533
		4,189,061	3,976,434
Non-current liabilities			
Promissory notes	8	2,735,443	2,735,443
Provision for environmental rehabilitation	6	87,276	89,960
		2,822,719	2,825,403
<b>Total liabilities</b>		<b>7,011,780</b>	<b>6,801,837</b>
<b>Shareholders' deficiency</b>			
Share capital	10	21,425,218	21,184,769
Capital reserves	10	1,584,242	1,565,441
Share subscriptions received in advance	10	5,000	-
Deficit		(29,834,738)	(29,493,271)
<b>Total shareholders' deficiency</b>		<b>(6,820,278)</b>	<b>(6,743,061)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>191,502</b>	<b>58,776</b>

Nature of operations (Note 1)

Commitment (Note 13)

Subsequent events (Note 16)

Approved and authorized by the Board on April 28, 2017.

"Paul Saxton"  
Paul Saxton

Director

"Andrew Milligan "  
Andrew Milligan

Director

The accompanying notes are an integral part of these consolidated financial statements

**LINCOLN MINING CORPORATION**  
**Consolidated Statements of Income and Comprehensive Income**

For the years ended December 31, 2016 and 2015

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

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Exploration expenses (recovery)</b>	<b>5</b>	<b>46,636</b>	<b>279,385</b>
<b>Recovery of mineral properties previously impaired</b>	<b>5</b>	<b>-</b>	<b>(874,018)</b>
<b>Administrative expenses</b>			
Administrative support		49,212	138,528
Consulting and management fees		172,487	185,205
Depreciation		3,070	3,886
Foreign exchange (gain) or loss		(86,538)	275,621
Investor relations and shareholder services		63,181	180,879
Office maintenance		9,407	126,177
Professional fees		100,983	130,851
Share-based compensation	<b>10(c)</b>	-	5,752
Travel		7,783	980
		<b>319,585</b>	<b>1,047,879</b>
<b>Finance expenses (income)</b>			
Interest income		(122)	(217)
Interest expense		12,233	256,528
		<b>12,111</b>	<b>256,311</b>
<b>Other items</b>			
Loss on sale of available-for-sale investments	<b>4</b>	-	85,618
Write-down of receivables		-	4,725
Write-off of accounts payable		(36,865)	(277,606)
		<b>(36,865)</b>	<b>(187,263)</b>
<b>Loss for the year</b>		<b>341,467</b>	<b>522,294</b>
<b>Other comprehensive income</b>			
Reclassification of unrealized loss on sale of available-for-sale investments	<b>4</b>	-	(95,091)
<b>Comprehensive loss for the year</b>		<b>341,467</b>	<b>427,203</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>		<b>23,775,393</b>	<b>22,746,021</b>

The accompanying notes are an integral part of these consolidated financial statements

**LINCOLN MINING CORPORATION**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2016 and 2015

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

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>Loss for the year</b>	<b>(341,467)</b>	<b>(522,294)</b>
Items not affecting cash:		
Recovery of mineral properties previously impaired	-	(847,722)
Accrued interest expense	12,233	256,528
Loss on sale of available-for-sale investments	-	85,618
Depreciation	3,070	3,886
Share-based compensation	-	5,752
Unrealized foreign exchange	(5,399)	93,333
Write-down of receivables	-	4,725
Write-off of accounts payable	(36,865)	(277,606)
Changes in non-cash working capital items:		
Increase in accounts payable, accrued liabilities and due to related parties	206,337	844,787
(Increase) Decrease in prepaid expenses and deposits	(83,756)	20,534
(Increase) Decrease in receivables	(9,628)	11,280
<b>Net cash used in operating activities</b>	<b>(255,475)</b>	<b>(321,179)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(10,320)	-
Proceeds from sale of available-for-sale investments	-	112,564
<b>Net cash provided by (used in) investing activities</b>	<b>(10,320)</b>	<b>112,564</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash, net	259,250	-
Share subscriptions received in advance	5,000	-
Promissory notes issued for cash	21,527	166,344
Loans from directors, net	12,110	57,200
<b>Net cash provided by financing activities</b>	<b>297,887</b>	<b>223,544</b>
<b>Net change in cash for the year</b>	<b>32,092</b>	<b>14,929</b>
<b>Cash, beginning of the year</b>	<b>14,929</b>	<b>-</b>
<b>Cash, end of the year</b>	<b>47,021</b>	<b>14,929</b>

Supplemental cash flow information (Note 12)

**LINCOLN MINING CORPORATION**  
**Consolidated Statements of Changes in Shareholders' Deficiency**

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

	Number of shares	Share capital \$	Capital reserves \$	Share subscriptions received in advance \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
<b>Balance at December 31, 2014</b>	<b>22,746,021</b>	<b>21,184,769</b>	<b>1,559,689</b>	-	<b>(95,091)</b>	<b>(28,970,977)</b>	<b>(6,321,610)</b>
Share-based compensation	-	-	5,752	-	-	-	5,752
Reclassification of unrealized loss on sale of available-for-sale investments	-	-	-	-	95,091	-	95,091
Loss for the year	-	-	-	-	-	(522,294)	(522,294)
<b>Balance at December 31, 2015</b>	<b>22,746,021</b>	<b>21,184,769</b>	<b>1,565,441</b>	-	-	<b>(29,493,271)</b>	<b>(6,743,061)</b>
Private placement	2,750,000	275,000	-	-	-	-	275,000
Share subscriptions received	-	-	-	5,000	-	-	5,000
Share issuance costs	-	(34,551)	18,801	-	-	-	(15,750)
Loss for the year	-	-	-	-	-	(341,467)	(341,467)
<b>Balance at December 31, 2016</b>	<b>25,496,021</b>	<b>21,425,218</b>	<b>1,584,242</b>	<b>5,000</b>	-	<b>(29,834,738)</b>	<b>(6,820,278)</b>

The accompanying notes are an integral part of these consolidated financial statements

# **LINCOLN MINING CORPORATION**

## **Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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### **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 consolidated financial statements for the year ended December 31, 2016 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 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 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 \$4,028,092 and total liabilities of \$7,011,780. 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.

#### ***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, 2016 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.

# LINCOLN MINING CORPORATION

## Notes to the Consolidated Financial Statements

For the years ended December 21, 2016 and 2015

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

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### *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

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### **(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.

## **LINCOLN MINING CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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#### **(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 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 loss and comprehensive loss.

#### **(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 estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

## **LINCOLN MINING CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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#### **(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 through 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).

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 profit or loss 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.

## **LINCOLN MINING CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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#### **Compound financial instruments**

Compound financial instruments issued by the Company comprise of a 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 the 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.

# LINCOLN MINING CORPORATION

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

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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 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.

**LINCOLN MINING CORPORATION**  
**Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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 Available-for-sale investments**

On October 10, 2014, the Company closed the sale of the La Bufa property to Endeavour Silver Corp. ("Endeavour") and received a net 40,587 Endeavour shares at a value of \$198,182. As at December 31, 2014, the Company had recognized an unrealized loss on the shares of \$95,091.

During the year ended December 31, 2015, the Company sold 40,587 Endeavour shares for total proceeds of \$112,564 resulting in a loss of \$85,618.

As at December 31, 2016 and 2015, the Company had no Endeavour shares remaining.

**5 Mineral properties**

Exploration expenditures (recoveries) incurred during the year ended December 31, 2016:

	United States		Total
	Pine Grove	Oro Cruz	
	\$	\$	\$
Contractors	98,154	11,716	109,870
Drilling and metallurgical	219,470	(371)	219,099
Field supplies	2,124	68	2,192
General administration	81,140	103	81,243
Geochemistry	790	-	790
Land maintenance	2,309	31,114	33,423
Legal	11,147	3,627	14,774
Permitting environment	44,823	-	44,823
Property evaluation	2,206	662	2,868
Travel and accommodation	514	319	833
Vehicle operating	726	-	726
Recovery of expenses	(13,248)	-	(13,248)
Recovery from a joint venture partner	(450,757)	-	(450,757)
<b>Total mineral property expenditures</b>	<b>(602)</b>	<b>47,238</b>	<b>46,636</b>

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Exploration expenditures (recoveries) incurred during the year ended December 31, 2015:

	United States			Total
	Pine Grove	Oro Cruz	Bell Mountain	
	\$	\$	\$	\$
Contractors	74,670	46,908	55,061	176,639
Drilling and metallurgical	1,634	-	9,540	11,174
Field supplies	90	-	-	90
General administration	67,802	5,916	(39,100)	34,618
Geochemistry	-	-	(8,655)	(8,655)
Land maintenance	5,484	30,102	-	35,586
Permitting environment	13,081	-	13,982	27,063
Travel and accommodation	140	403	8	551
Vehicle operating	-	51	2,268	2,319
<b>Total mineral property expenditures</b>	<b>162,901</b>	<b>83,380</b>	<b>33,104</b>	<b>279,385</b>

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.

## LINCOLN MINING CORPORATION

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- (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").

## LINCOLN MINING CORPORATION

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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 from 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) Subsequent to the year end, 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.

#### **(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").

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

- \$350,000 within five business days of all necessary TSXV approvals (paid),
- \$350,000 by November 30, 2012 (paid),
- \$750,000 on completion of a pre-feasibility study (paid), and
- \$900,000 on or before five months after completion of the pre-feasibility study (\$487,414 paid, see below for amendment).

The Company renegotiated the payment schedule for the Bell Mountain project whereby principal repayments outstanding at September 30, 2013 would accrue interest at a rate of 4% per annum and would be due in full by December 31, 2013. During the year ended December 31, 2013, the Company made principal repayments of \$490,000 and for the year ended December 31, 2014, made additional principal payments of \$487,414.

In September 2014, Laurion agreed to amend the payment schedule on the outstanding balance to \$75,000 per month to the end of the year. If the full amount owing to Laurion was not paid by the end of December 2014 then Laurion could either extend the payments to June 30, 2015 at a rate of \$125,000 per month or require Lincoln to reassign its rights and interest in the Bell Mountain property to Laurion or Laurion could proceed with the legal claim for outstanding payment. Monthly payments include a \$25,000 extension fee.

During the year ended December 31, 2014, the Company wrote-down the capitalized value of its Bell Mountain property by \$2,263,514 to \$nil.

The Company was not able to make its monthly payments and, as a result, during the year ended December 31, 2015, Laurion terminated the purchase agreement related to the Bell Mountain property. As a result, the Company de-recognized the property acquisition liability of \$847,722 resulting in a recovery of \$847,722 for the year ended December 31, 2015.

In March 2013, the Company placed a bond of US\$20,565 with the US Bureau of Land Management to permit the Company's drilling program at the Bell Mountain property. During the year ended December 31, 2014, the Company wrote-off this reclamation bond as it was no longer considered recoverable. During the year ended December 31, 2015, the Company received US\$20,565 from a third party for the reclamation bond resulting in a recovery of impairment recorded in 2014.

The Company initially recognized 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, 2016	Year ended December 31, 2015
	\$	\$
Opening balance	-	769,095
Foreign exchange rate difference	-	78,627
Repayments	-	-
Interest accrued during the period	-	-
De-recognition upon termination of agreement	-	(847,722)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**6 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

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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:

	December 31, 2016	December 31, 2015
	\$	\$
Beginning balance	89,960	75,406
Changes in exchange rates	(2,684)	14,554
<b>Closing balance</b>	<b>87,276</b>	<b>89,960</b>

During the year ended December 31, 2016 and 2015, the finance costs in relation to the accretion of the provision are negligible.

## 7 Loans payable

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

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Opening balance	1,376,307	1,214,119
Loans provided during the year	14,310	57,200
Loans repaid during the year	(2,200)	-
Interest accrued during the year	3,964	104,988
<b>Closing balance</b>	<b>1,392,381</b>	<b>1,376,307</b>

During the year ended December 31, 2015, the Company received \$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. 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 31, 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.

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

## 8 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).

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.

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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 evidenced 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.

**9 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 year ended December 31, 2016 and 2015 were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Directors fees	48,000	48,000
Management fees	108,000	108,000
Exploration expenses	103,127	154,201
Accounting fees	70,250	81,250
Share-based compensation	-	4,561
<b>Total</b>	<b>329,377</b>	<b>396,012</b>

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.

**Balance due to related parties**

	As at December 31, 2016	As at December 31, 2015
	\$	\$
Executive officers and their controlled companies	1,277,757	1,043,957
Directors	154,269	106,269
Others	14,072	24,551
<b>Total</b>	<b>1,446,098</b>	<b>1,174,777</b>

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**Loans from related parties**

See Notes 7 and 8 for further details.

**Other transactions with related parties**

During the year ended December 31, 2016, the Company received \$30,000 (2015 - \$38,883) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

**10 Share capital and reserves**

**a) Authorized share capital**

As at December 31, 2016, 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 12).

**b) Capital reserves**

	Capital reserve - options	Capital reserve - warrants	Capital reserve – convertible debenture	Total
	\$	\$	\$	\$
Balance as at December 31, 2014	1,221,432	122,871	215,386	1,559,689
Share-based compensation	5,752	-	-	5,752
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
<b>Balance as at December 31, 2016</b>	<b>1,227,184</b>	<b>141,672</b>	<b>215,386</b>	<b>1,584,242</b>

**c) Stock options**

As at December 31, 2016, 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
<b>1,809,000</b>		

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Stock option transactions for the year ended December 31, 2016 and for year ended December 31, 2015 are summarized as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance, beginning of year	2,024,000	0.15	2,196,500	0.32
Expired	(215,000)	0.15	(172,500)	2.66
Balance, end of year	1,809,000	0.15	2,024,000	0.15
Options exercisable, end of year	1,809,000	0.15	2,024,000	0.15

For the year ended December 31, 2016, the Company recorded \$Nil (2015 - \$5,752) as share-based compensation for options vested during the year.

**d) Warrants**

As at December 31, 2016, 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
<b>1,532,500</b>		

Warrants transactions for the year ended December 31, 2016 and for year ended December 31, 2015 are summarized as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of year	-	-	-	-
Issued	1,532,500	0.12	-	-
Balance, end of year	1,532,500	0.12	-	-

**e) Share subscriptions received in advance**

During the year ended December 31, 2016, the Company received \$5,000 related to a private placement that closed on April 26, 2017 (Note 16).

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**11 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**

	December 31, 2016	December 31, 2015
	\$	\$
<b>Financial assets *</b>		
<i>Loans and receivables</i>		
Cash	47,021	14,929
Other receivables	19,343	7,687
	66,364	22,616
<b>Financial liabilities</b>		
<b>Current</b>		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	753,968	855,817
Due to related parties	1,446,098	1,174,777
Loans payable	1,392,381	1,376,307
Promissory notes	596,614	569,533
<b>Non-current</b>		
<i>Amortized at cost</i>		
Promissory notes	2,735,443	2,735,443
	6,924,504	6,711,877

\* 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.

**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 \$123,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

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## Notes to the Consolidated Financial Statements

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### **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.

## **12 Supplemental cash flow information**

	December 31, 2016	December 31, 2015
	\$	\$
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 10).

During the year ended December 31, 2016, the Company wrote-off accounts payable in the amount of \$36,865 as agreed by the vendors.

## **13 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 December 31, 2016 is as follows:

2017	\$ 55,704
2018	\$ 41,778

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**14 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.

	<b>Non-current assets</b>
	<b>\$</b>
<b>December 31, 2015</b>	
United States of America	5,000
Canada	25,240
	<b>30,240</b>
<b>December 31, 2016</b>	
United States of America	12,339
Canada	18,194
	<b>30,533</b>

**15 Income taxes**

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

	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(341,467)	(522,294)
Expected income tax recovery	(89,000)	(136,000)
Change in statutory, foreign tax, foreign exchange rates and other	13,000	1,345,000
Permanent differences	(6,000)	(296,000)
Change in unrecognized deductible temporary differences	82,000	(913,000)
	-	-

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

The significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets (liabilities)		
Property acquisition	-	-
Non-capital losses	-	-
Net deferred tax asset (liability)	-	-

**LINCOLN MINING CORPORATION**  
**Notes to the Consolidated Financial Statements**

For the years ended December 21, 2016 and 2015

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

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

	December 31, 2016	December 31, 2015	Expiry Date Range
	\$	\$	
Temporary differences:			
Mineral properties	4,032,000	5,029,000	No expiry date
Share issue costs	13,000	30,000	2037 to 2040
Other	94,000	150,000	No expiry date
Non-capital losses available for future periods	16,511,000	15,623,000	2026 to 2036

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

**16 Subsequent events**

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.



## FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF APRIL 28, 2017 TO ACCOMPANY THE CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE YEAR ENDED DECEMBER 31, 2016.

This Management's Discussion and Analysis ("MD&A"), which has been prepared as of April 28, 2017, should be read in conjunction with the 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](http://www.lincolnmining.com) and at [www.sedar.com](http://www.sedar.com).

### 1. Overview

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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.

#### ***Bell Mountain Project Status***

On February 2, 2015, Laurion announced that the sale of the Bell Mountain property to Lincoln was terminated for non-payment. Lincoln had incurred approximately \$1.6 million of the cash purchase price of \$2.35 million and \$1.4 million of the \$1.75 million requirement in exploration expenditures. Eros Resources Corp. ("Eros") has acquired the property from Laurion. (refer to news release dated February 4, 2015 for further details).

#### ***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").

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*(in Canadian dollars, unless otherwise stated)*

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 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.

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<sup>th</sup>, 2017.

## **2. Results of Operations**

### **Results of Operations – For the year ended December 31, 2016**

For the year ended December 31, 2016, the Company incurred an operational loss of \$341,467 (2015: \$522,294). Total expenses were significantly lower in 2016; however, included in the net loss for 2015 is the recovery of mineral properties previously impaired. The significant expenses comprise of the following:

	2016	2015	2014
	\$	\$	\$
<b>Revenues</b>	-	-	-
<b>Exploration expenses</b>	<b>46,636</b>	<b>279,385</b>	<b>675,741</b>
<b>Impairment provision for mineral properties</b>	-	-	<b>3,047,630</b>
<b>Recovery of mineral properties previously impaired</b>	-	<b>(874,018)</b>	<b>(219,600)</b>
<b>Impairment provision for reclamation bond</b>	-	-	<b>23,857</b>
<b>Administrative expenses (top 5 categories):</b>			
Administrative support	49,212	138,528	141,155
Consulting and management fees	172,487	185,205	184,590
Investor relations and shareholder services	63,181	180,879	67,387
Office maintenance	9,407	126,177	222,182
Professional fees (legal and accounting)	100,983	130,851	223,722
<b>Subtotal</b>	<b>395,270</b>	<b>167,007</b>	<b>4,366,664</b>
% to total loss	100%	32%	85%
<b>Other administrative expenses</b>			
Share-based compensation	-	5,752	235,793
Other administrative expenses	(75,685)	280,487	44,648
Interest income	(122)	(217)	(231)
Interest expense	12,233	256,528	469,050
Loss on sale of available-for-sale investments	-	85,618	-
Write-down of accounts receivable	-	4,725	-
Write-off of accounts payable	(36,865)	(277,606)	-
<b>Loss for the year</b>	<b>341,467</b>	<b>522,294</b>	<b>5,115,924</b>
<b>Comprehensive loss for the year</b>	<b>341,467</b>	<b>427,203</b>	<b>5,211,015</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.30)</b>
<b>Total assets</b>	<b>191,502</b>	<b>58,776</b>	<b>187,363</b>
<b>Total non-current liabilities</b>	<b>2,822,719</b>	<b>2,825,403</b>	<b>2,662,346</b>
<b>Cash dividends declared per share</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

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Other administrative expenses consists of travel costs of \$7,783 (2015: \$980; 2014: \$19,188), depreciation of \$3,070 (2015: \$3,886; 2014: \$6,710), and foreign exchange gain of \$86,538 (2015: loss of \$275,621; 2014: loss of \$18,750).

Due to market conditions and cash restraint, the Company decreased its costs related to investor relations and shareholder services compared to 2015. Similarly, the Company experience slight decrease in administrative support, professional fees and travel costs.

Administrative support decreased by \$89,316 from \$138,528 in 2015 to \$49,212 in 2016, investor relations and shareholder services decreased by \$117,698 from \$180,879 in 2015 to \$63,181 in 2016, and professional fees decreased by \$29,868 from \$130,851 in 2015 to \$100,983 in 2016.

Also during the year ended December 31, 2016, the Company incurred interest expense of \$12,233 compared to \$256,528 for 2015. 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.

During the year ended December 31, 2014, the Company granted stock options to certain directors, management and consultants resulting in a non-cash stock-based compensation expense of \$Nil (2015: \$5,752; 2014: \$235,793).

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
	\$	\$	\$	\$	\$	\$
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
	<b>4,479,050</b>	<b>1,377,487</b>	<b>1,478,243</b>	<b>4,038,203</b>	<b>92,220</b>	<b>11,465,203</b>
Less recoveries	-	<b>(328,765)</b>	-	<b>(1,051,735)</b>	-	<b>(1,380,500)</b>
<b>Total exploration expenses incurred</b>	<b>4,479,050</b>	<b>1,048,722</b>	<b>1,478,243</b>	<b>2,986,468</b>	<b>92,220</b>	<b>10,084,703</b>

**Summary of Quarterly Results:**

2016 Quarterly Results:	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
	\$	\$	\$	\$
Revenue	-	-	-	-
Exploration expenses (recovery)	(30,360)	50,735	17,613	8,648
Administrative expenses (incl. interest expense)	71,578	117,215	(13,636)	156,539
Income (loss)	(4,353)	(167,950)	(3,977)	(165,187)
Comprehensive income (loss)	(4,353)	(167,950)	(3,977)	(165,187)
Basic and diluted earnings (loss) per share	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	191,502	160,060	51,957	53,412
Working capital (deficiency)	(4,028,092)	(4,021,850)	(4,121,395)	(4,075,832)

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*(in Canadian dollars, unless otherwise stated)*

<b>2015 Quarterly Results:</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	-	-	-
Exploration expenses	103,091	93,141	6,664	76,489
Recovery of impairment	(104,923)	-	-	(769,095)
Administrative expenses (incl. interest expense)	638,673	160,231	250,680	254,606
Income (loss)	(363,960)	(253,372)	(278,733)	373,771
Comprehensive income (loss)	(363,960)	(253,372)	(257,326)	447,455
Basic and diluted earnings (loss) per share	(0.02)	(0.01)	(0.01)	0.02
Total assets	58,776	122,178	116,488	102,869
Working capital (deficiency)	(3,947,898)	(3,628,207)	(3,416,829)	(3,208,046)

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2016**

*(in Canadian dollars, unless otherwise stated)*

**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 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.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2016**

*(in Canadian dollars, unless otherwise stated)*

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***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.

***Subsequent to the year end and 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 19<sup>th</sup>, 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.

Subsequent to the year end 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.

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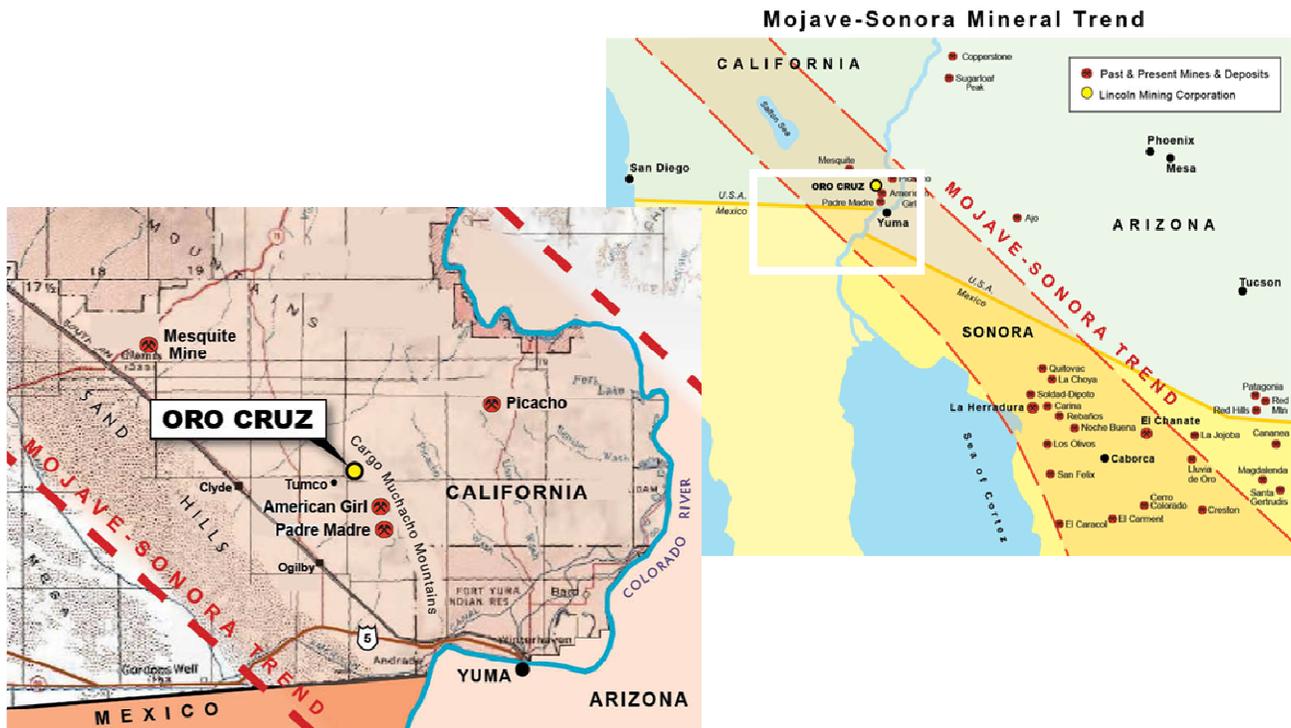
*(in Canadian dollars, unless otherwise stated)*

**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.

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**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

***Subsequent to the Year End***

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.

**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'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 year ended December 31, 2016 and 2015 were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Directors fees	48,000	48,000
Management fees	108,000	108,000
Exploration expenses	103,127	154,201
Accounting fees	70,250	81,250
Share-based compensation	-	4,561
<b>Total</b>	<b>329,377</b>	<b>396,012</b>

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.

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**Balance due to related parties**

	As at December 31, 2016	As at December 31, 2015
	\$	\$
Executive officers and their controlled companies	1,277,757	1,043,957
Directors	154,269	106,269
Others	14,072	24,551
<b>Total</b>	<b>1,446,098</b>	<b>1,174,777</b>

**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. 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.

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. Netolitzky, 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 unsecured 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.

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**Other transactions with related parties**

During the year ended December 31, 2016, the Company received \$30,000 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:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Working capital (deficiency)	(4,028,092)	(3,947,898)
Long-term debt	2,822,719	2,825,403

	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	(255,475)	(321,179)
Cash used in investing activity	(10,320)	112,564
Cash provided by financing activities	297,887	223,544
Change in cash	32,092	14,929

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.

Subsequent to the Year End

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.

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**8. Capital Resources**

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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**

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None.

**10. Proposed Transactions**

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

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

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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:

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**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**

	December 31, 2016	December 31, 2015
	\$	\$
<b>Financial assets *</b>		
<i>Loans and receivables</i>		
Cash	47,021	14,929
Other receivables	19,343	7,687
	66,364	22,616
<b>Financial liabilities</b>		
<b>Current</b>		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	753,968	855,817
Due to related parties	1,446,098	1,174,777
Loans payable	1,392,381	1,376,307
Promissory notes	596,614	569,533
<b>Non-current</b>		
<i>Amortized at cost</i>		
Promissory notes	2,735,443	2,735,443
	6,924,504	6,711,877

\* 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 \$123,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

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**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**

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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.

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#### **14. Trends**

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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, however 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 issuers 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**

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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.