Lincoln Mining Corp

Gold in the USA & Silver in Mexico

Lincoln market capitalization	C$14.5m
Recent share price	C$0.175
Listings and tickers	TSXV:LMG
Shares Issued	83.17m
Warrants & options o/s	24.8m / 7.75m
Group net cash & receivables	C$1.14m at 31/12/2010
Financial Y/E	31st December
Year High / Low	C$0.34 – C$0.14
Avg. daily vol.	242,000 shares
Last Equity Financing	June 2010 @ 22c
Significant S/holders in Lincoln:	
Paul Saxton	3.2%
Chan Buckland	18.0%
Almaden Minerals	7.2%
Sprott Asset Management	3.0%

Share price graph of LMG (from www.stockwatch.com)

May 2011

- **Lincoln Mining Corp** ("Lincoln" or "the Company"), emerged as we see it today through an RTO transaction undertaken in mid-2009. The predecessor company, Lincoln Gold Corporation, had been trading for several years on the OTC:BB.
- Lincoln has an experienced team and modestly sized, but credible, gold and silver projects in the USA and Mexico.
- JV partner Elgin Mining (TSXV_ELG), has entered into an option agreement with Lincoln Mining Corp., which grants Elgin the exclusive right and option to acquire up to a 60-per-cent undivided interest in each of Lincoln's Oro Cruz and La Bufa properties, by financing expenditures totalling $10 million over a maximum four-year period. At the end of 2010, Elgin had cash of $47m available on the balance sheet, no other active projects and experienced and well connected management.
- Lincoln's market capitalisation, just under $17 per "equivalent inferred ounce", is lower than most comparable companies with projects of this size and resources in the inferred and indicated categories. As progress towards production is made, significant capital appreciation is likely.
- At Pine Grove in Nevada, a recent NI43-101 compliant resource study shows an indicated 177,000 ounces of gold at just over 1g/t and a further 115,00 ounces inferred (at a slightly lower grade) suitable for open pit heap leach operations.
- The Pine Grove project may not need significant further drilling. A feasibility study based around a six year mine life producing ~22,000 ounces per annum is, we believe, possible. With further drilling, the mine life might be increased.
- The Oro Cruz project, in Southern California, although probably capable of being brought into production more rapidly than Pine Grove will probably be subject to further exploration by cash rich Elgin in an effort to increase ounces; investors should take especial note of progress with this project as development could be rapid.
- If exploration at the La Bufa silver exploration property in southern Chihuahua state is successful, an exit through a sale of the property to Gammon Gold is a likely outcome.

Lincoln Mining Corp is bringing two modestly sized, but low capex and relatively straightforward, USA based gold projects towards production. One is likely to be executed "in house" and the other via JV with cash rich Elgin Mining Inc. Once finance is put in place, which we believe to be low risk, the lead times are unlikely to be great provided the gold market remains buoyant. Timing is very important in the junior resources game, and Lincoln have it. They will require further equity financing in the second half of 2011. Given progress along these lines our target price is ~40c per share by the end of 2011.

LOEB ARON + CO.
AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY
MEMBER OF THE LONDON STOCK EXCHANGE AND PLUS MARKETS

This note reviews the operations of Lincoln Mining Corp ("Lincoln" or the "Company"). The Company is incorporated in British Columbia (Canada) with corporate offices at 885 Dunsmuir Street, Suite 350, Vancouver, British Columbia, V6C 1N5. The Company operates in Nevada and California, USA and Chihuahua, Mexico. The company has one subsidiary, Lincoln Gold Corporation. The author of this note, a Loeb Aron & Co staff member, visited the Nevada and California properties in September 2010. The Company website is www.lincolnmining.com.

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1 INVESTMENT SUMMARY

Emerged via an RTO in 2009

Lincoln Mining Corp ("Lincoln" or "the Company"), emerged as we see it today through an RTO transaction undertaken in mid-2009. The predecessor company, Lincoln Gold Corporation, had been trading for several years on the OTC:BB. Since then a total of just under C$9m has been raised at 17c and, subsequently, at 22c. The share price has ranged from a low of 14c to a high of 34c over this period during which a major shareholder has elected to sell its block via the market. The current share price is 18c.

Gold projects in Nevada and S. California and silver exploration in Mexico

Lincoln has an experienced team and modestly sized but credible gold projects in Nevada and Southern California, together with a gold and silver exploration play in Mexico. The Board include as chairman an experienced former CEO of medium scale gold producers, a mining engineer with significant mine development and production experience as president and CEO, an accountant, a corporate secretary as independent director, and a mining financier. VP Operations is an experienced mining engineer with both production and project development experience and the VP Exploration has over 30 years experience in the Americas concentrated in Nevada and Mexico.

Market cap. lower than peers with comparable projects

Market capitalisation is on lower side of normal for a company with projects of this size and resources in the inferred categories, but still well within the usual range rather than bargain basement. Were the share significantly cheaper, we believe that this would reflect lack of market confidence in either the projects and/or the management; super low share prices tend to become self-fulfilling prophecies leaving such companies unable to gain traction even when technically results are good.

Positioned to add value rapidly at Pine Grove and Oro Cruz

Lincoln can add value rapidly because they need to carry out only limited further drilling to bring much of their resource base into the measured and indicated categories. At both Pine Grove and Oro Cruz the metallurgy is already reasonably well established through column leach testing in the first case and from the production history in the second case. This, in turn, will allow Lincoln – during the course of 2011 - to develop feasibility studies capable of attracting project finance.

At Pine Grove in Nevada, the ~1.0 g/t grade of the resource at the old Wilson Mine reflects the relatively thorough mining activities of the old timers; further exploration (led by surface soil geochemistry) suggests some further ounces potentially at a higher grade nearby that were either not known (or not profitable) at that time but which could improve the economics of the critical first year or two of mining.

We believe that the Oro Cruz project, in Southern California, now under JV, is likely capable of being brought into production more rapidly than Pine Grove; investors should take especial note of progress with this project as development could be rapid.

The La Bufa Mexican silver exploration property in southern Chihuahua state is likely to be pursued as funds and management time permit; an exit through a sale to Gammon Gold Inc. is a likely outcome of any success.

We are strongly supportive of the recently announced JV agreement with Elgin Mining Inc.

We believe that the joint venture agreement with Elgin Mining Inc. on the Oro Cruz and La Bufa properties is a significant positive for the company, and that this has not yet been appreciated by the market.

We liked Lincoln before the JV was announced, we like it even more afterwards.

2 COMPANY HISTORY, DIRECTORS & MANAGEMENT

2.1 History

RTO of OTC:BB company into a Canadian CPC in 2009

The company we see today started out as LPT Capital Ltd, a Canadian capital pool company seeking a qualifying transaction. In mid-2009, LPT Capital's sole subsidiary, 0843037BC Ltd merged via RTO with Lincoln Gold Corporation, a BC incorporated company, by the issue of 23,204,089 shares plus 1,258,333 shares as a finders fee as part of the transaction. Lincoln Gold Corporation, whose shares had been trading on the OTC:BB, had been exploring for several years and was seeking to further develop its Pine Grove project in northern Nevada and the La Bufa project in Chihuahua State, Mexico.

LPT Capital shareholders were issued with 6m shares plus a further ~6m shares to extinguish debt of C$1,088,818.53 owed by Lincoln Gold to LPT Capital.

Concurrent with the RTO, the Company completed a private placement, issuing 29,255,057 units at a price of $0.17 per unit for gross proceeds of $4,973,360. Each unit consisted of one share and one half a share purchase warrant, where each whole warrant entitles the holder to purchase one additional common share for $0.25 for a period of two years. The Company issued 670,588 shares, valued at $114,000, and paid $238,101 in cash, as share issue costs pursuant to this transaction.

Emmet McGrath was appointed as Chief Financial Officer in September, 2009. The area of the Pine Grove project was extended and metallurgical test work started in October 2009. Twenty hectares of concessions enclosed by the La Bufa property were purchased in the same month, with the main La Bufa earn-in agreement changed to outright purchase by the issue of shares. The Oro Cruz gold project in Southern California was acquired in November. The team was strengthened by the appointment of Mike Attaway, a mining engineer with solid track record in mine development and construction start ups having been involved with over a dozen open pit heap leach operations. Dr Michael Price, well known to readers in UK mining circles, joined the board as an independent director in April 2010.

A further private placing, consisting of 18,133,849 units at a price of $0.22 per unit (each unit comprising a share and a half share purchase warrant exercisable at 35c) was closed in June 2010 raising a gross amount of just under C$4m.

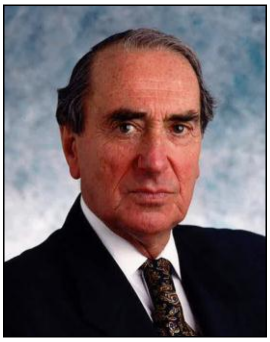
In September 2010 the results of re-examining the historical data base for the Oro Cruz property which had been lovingly tended over the years by the vendor) were announced as an NI 43-101 compliant resource of 341,800 ounces of gold at a grade of 2.2g/ton in the inferred category. In the following month the results of column leach testing on Pine Grove samples crushed to 3/8″ were announced, confirming that a heap leach approach was feasible.

In December 2010, the Oro Cruz property was significantly extended by staking. The new claims covered structural projections of the American Girl and Madre-Padre deposits, which were mined in the late 1980s to the mid-1990s and cover both prospective pediment areas as well as various gold prospects in local bedrock.

Despite all this technical and team building progress, the share price had not been flourishing, bottoming out at ~15c in early October 2010. This minimum corresponds closely to the announcement[1] from a major 2009 17c placee that they had disposed of over 13m shares via the market, leaving them with little of their original shareholding plus warrants.

2.2 Directors

Andrew F. B. Milligan MBE, MA, Chairman and Independent Director



Experienced mining executive as Chairman

Andrew Milligan, who holds a Master's degree in Economics from Glasgow University, is an experienced business executive who has concentrated on mining ventures for the past 25 years after an earlier career as an economist and administrator in the aerospace industry, as the general manager of a manufacturing business and as a management consultant. From 1984 to 1986 he was President and Chief Executive Officer of Glamis Gold Ltd. In November 1986 he was appointed President and Chief Executive Officer of Cornucopia Resources Ltd. In 1998 and 1999 Cornucopia disposed of its gold mining interests and subsequently merged with three other companies to form Quest Investment Corporation.

Paul Saxton BSc, M.B.A., P.Eng, President & CEO and Director

CEO is a mining engineer with production, mine development as well as public company experience

Paul Saxton, a mining engineering graduate of Queen's University and holder of an MBA from the University of Western Ontario, is the current President, CEO and a director of Lincoln having been appointed to the same role with Lincoln Gold Corp in 2004. He has been active in the mining industry since 1969, holding various positions including mining engineer, mine superintendent, President and CEO of numerous Canadian mining companies. His senior executive positions were held with Cominco, Mascot Gold Mines Ltd. Corona Corporation (Nickel Plate mine), Viceroy Resource Corporation (Castle Mountain mine, California), Loki Gold Corporation and Baja Gold Inc (Brewery Creek gold mine), Standard Mining Corp (which merged with Doublestar Resources Ltd in 2001). He has been an independent director of Uranerz Energy Corp since 2004 and a director of Zazu Metals Corporation since 2007.

Philip J. Walsh, C.A., Director,

Philip J. Walsh was President and Chief Executive Officer of LPT Capital Ltd, the capital pool company which was taken over by Lincoln Gold in an RTO in 2009 to create Lincoln Mining. He is a Chartered Accountant and is the President and sole owner of Taff Management Corp.

Michael Allan Price, BSc, PhD (Mining Engineering), C. Eng,. Director.

Dr. Price is an independent mining finance consultant with more than 30 years in mining and mining finance works with Resource Capital Funds based in London. Previously he was an MD and Joint Global Head of Mining & Metals at Barclays Capital from 2003. He filled a similar role at Société Générale in London from 2001 to 2003. Previous experience was gained with N M Rothschild & Sons Ltd, National Westminster Bank Plc and British Petroleum Plc amongst others. He has worked with innumerable junior mining companies Dr. Price graduated from University College Cardiff with a BSc in mining engineering in 1978 and with a Ph.D. in Mining Engineering in 1981.

The appointment of two further directors, Mr Robert Elton and Mr Robert Cruickshank, was announced on May 17th 2011.

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[1] Filed at www.sedar.com, October 2010

Robert Elton, Director

Mr. Elton currently serves as executive chair of Powertech Labs and adviser to the board of directors of BC Hydro. He was former president and chief executive officer of BC Hydro for six years and prior to that, he had various senior executive positions, including chief financial officer of Eldorado Gold Corp. and a partner of PricewaterhouseCoopers. Mr. Elton is involved in various civic and community activities, including acting as a member of the board of Canadian Business for Social Responsibility and a member of the Global Agenda Council, World Economic Forum.

Robert Cruickshank, Director

Mr. Cruickshank was past president of the British Columbia Technology Industries Association (BCTIA) and has served in many executive roles including over four years as the president of BCTEL Mobility. Mr. Cruickshank is currently a director of Vendtek Systems Inc. a TSX-V listed technology company. Along with chairing the board of Carmanah Technologies he also serves on the advisory board of both AfterCAD Software Inc. and Nutri-Loc, two early stage technology companies.

2.3 Other senior management

Jeffrey L. Wilson MSc, P.Geo. Vice President, Exploration

Jeff Wilson is the current Executive VP Exploration for Lincoln Mining. He has 30 years of professional exploration experience in the United States, Mexico and Central America with emphasis on gold and has a MSc. in Geology from the University of Southern California. He served as Director of Exploration for Echo Bay Exploration Inc. for eleven years, first in western U.S. and later in Mexico and Central America. He earlier served as Exploration Manager, Western U.S., with Tenneco Minerals Company, with most projects in Nevada. Exploration teams under his direction have discovered and delineated reserves including: 1.5 million ounces gold at Paradones, Mexico; 1.4 million ounces gold and 70 million ounces silver at Dolores, Mexico; several gold reserves at Borealis, Pan, McCoy, Easy Junior, Cove, Illipah and Three Hills, Nevada all of which were mined or sold.

Mike Attaway, P.Eng. Chief Operating Officer, VP Operations

Mr. Attaway is a professional engineer and has enjoyed a 30+year career in mine management and supervision, mainly in open pit operations. He was Vice-President Operations for Viceroy Resources Corp., where he oversaw the construction and operation of the Castle Mountain and Brewery Creek heap leach operations. He was previously Executive Vice-President and General Manager for Brohm Mining Corp., Vice-president and General Manager for Bond Gold Colosseum Inc., and Mine Manager at both Homestake's McLaughlin mine and Rancher's Bluebird mine, the latter an open-pit, heap leach SX-EW copper operation. Mr. Attaway's immediate focus will be help bring forward the company's US based projects from the resource definition stage into operating mines.

Emmet A. McGrath, C.A., Chief Financial Officer

Mr. McGrath graduated from the University of Calgary in 1971 with a B Comm degree and is a Chartered Accountant. He is a business advisor with over 30 years of experience in public accounting and private industry, with experience ranging from accounting, auditing, consulting services, and client development to strategic planning and financial statement disclosure. Mr. McGrath was an Audit Partner of KPMG for Greater Vancouver, British Columbia from 1981 to 2002. Mr McGrath has a thorough understanding of the regulatory and statutory reporting requirements of publicly listed companies and is well versed in corporate governance matters. He served as the Chairman of Westminster Savings Credit Union from 2004 until June 2010 and is a director of a number of other junior resource companies.

3 FINANCIAL SUMMARY

The following balance sheet data are reproduced from the audited financial statements published for the twelve month period ending 31st December 2010 and the previous twelve months to 31st December 2009.

CONSOLIDATED BALANCE SHEET (C$)	**31st December 2010 (Audited)**	**31st December 2009 (Audited)**
Current		
Cash	$ 1,137,006	$ 1,761,227
Receivables	49,851	28,681
Due from related parties	-	66,900
Prepaid expenses and deposits	53,443	98,454
	1,240,300	1,955,262
Mining property interests	3,019,713	63,153
Equipment	18,857	28,828
Deposits	44,678	37,684
Total Assets	**$ 4,323,548**	**$ 2,084,927**
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 216,607	$ 354,275
Notes payable	-	52,098
Promissory note	138,139	-
	354,746	406,373
Long term liabilities (>12 months)		
Promissory note	216,619	-
Future income tax liability	490,200	-
	1,061,637	406,373
Shareholders' Equity (Deficiency)		
Share capital	15,634,149	10,260,774
Share issuance commitment	46,250	-
Contributed surplus	2,404,549	1,836,778
Accumulated other comprehensive income (loss)	(12,990)	(12,990)
Deficit	(14,810,047)	(10,406,008)
	3,261,911	1,678,554
Total Liabilities and Shareholders' Equity	**$ 4,323,548**	**$ 2,084,927**

The ratio of the amount spent on the mineral properties as a percentage of total expenses over the 12 months to 30th December 2010 was 54%, perhaps slightly low for a mineral exploration company of this size. However, during the period management assessed and acquired the Oro Cruz property, acquired 100% of the La Bufa property and carried out a major financing as well as conducting exploration programmes, so the ratio can perhaps be excused, for now.

As of October 2010 there were 83,171,916 shares in issue, of which some 650,000 were property payments issued since 30th June 2010 in accordance with amended agreements announced on 22nd July 2010 and 24th August 2010. A full analysis of share issuance to date is given in Table 1 below.

Table 1 Share issuance since the RTO of LPT Capital in 2009

Date	Transaction	Shares issued
August 2009	Issued to shareholders of LPT Capital	4,000,000
August 2009	Shares issued for acquisition of Lincoln Gold	23,204,089
August 2009	Concurrent private placing at 17c raising C$4.97m gross	29,255,057
August 2009	Finders fee for RTO transaction	1,258,333
August 2009	Share issue costs for placing paid in shares	670,588
February 2010	Issued to Almaden Minerals for acquisition of La Bufa	6,000,000
June 2010	Brokered private placing at 22c raising C$2.65m	12,045,395
June 2010	Non-brokered private placement at 22c raising C$1.34m	6,088,454
July 2010	Issued to Lyon Grove as part of variation of terms for Pine Grove	500,000
Aug 2010	Issued as part of acquisition of the Cavanaugh claims	150,000
	TOTAL	**83,171,916**

As of 6th January 2010, there were 7,750,000 options outstanding under the stock option plan of which 2,187,500 were exercisable. The weighted average option exercise price was C$0.21, with 5,075,000 options at C$0.19 being the lowest priced. Warrants outstanding as of October 2010, which total 24,836,869, are shown in Table 2 below. The largest single block of warrants (5,588,236 exercisable at 25c) is held by Ned Goodman Investment Counsel Limited of Toronto.

Table 2 Breakdown of warrants outstanding

Number of warrants	Exercise price	Expiry date
14,627,531	$ 0.25	August 18, 2011
10,209,338	$ 0.35	June 1, 2012

At the current share price, the warrants and the options are out of the money and thus not dilutive to shareholders.

4 PINE GROVE PROJECT, LYON COUNTY, NEVADA

The Pine Grove property is located 21 miles due south of Yerington via Nevada via State Highway 208 (paved) to the East Walker Road (gravel) to the Pine Grove Canyon drainage. Lincoln's operations are directed from offices and storage in a rented yard in Yerington.

4.1 Title, option payments and consolidation of claims

Lead permitting agency for the Pine Grove property likely to be the US Forestry Service

The Pine Grove project consists of five groups of claims; the Wheeler patents, the Harvest claim group, the Wilson patent, the Cavanaugh claim group and the surrounding Lincoln claims acquired by staking. The property lies within the Humboldt-Toiyabe National Forest, administered by the U. S. Forest Service (USFS) which is expected to be the lead agency in obtaining all necessary permits.

In July 2007, Lincoln Gold entered into an agreement with the Wheeler Mining Company ("Wheeler") to lease Wheeler's 100% owned **Wheeler patent 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, Lincoln may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year. Lincoln must produce a bankable feasibility study on the properties by July 1, 2009, extended to December 31, 2010, and obtain all necessary funding to place the properties into commercial production. Lincoln must pay a net smelter royalty of 3% (at a gold price of US$450) to 7% (at a gold price of US$701) upon commencement of commercial mining production based on gold prices and a 5% net smelter royalty on metals or minerals other than gold produced and sold from the properties.

For the **Harvest lode claim**, the **Winter Harvest lode claim**, and the **Harvest fraction lode claim** (total 62 acres), the purchase price was US$12,000 and a 5% NSR royalty payable to Harold Votipka, the vendor.

In August of 2007, Lincoln signed a mining lease option agreement with Lyon Grove, LLC (H. Bond, R. Whitacre), the legal owner of the **Wilson patent claims** (33.781 acres). The terms of this agreement include advance royalty payments of US$10,000 in the first year, and US$25,000 per year in subsequent years, along with a sliding scale net smelter return (NSR) royalty ranging from 3% at a gold price of US$450 to 7% at a gold price of US$701. This agreement included a 6 square mile area of interest that includes a 5% NSR payment on any new claims put into production.

In July 2010 this agreement was modified whereby the Company bought down the net smelter return royalty over the Wilson claims from 7% to a fixed 2.5% and also modified the terms of an area of interest provision by the payment of $300,000 cash and the issuance of 500,000 common shares of the Company.

After optioning the key components, the Wheeler and the Wilson claims, Lincoln Gold commenced a further consolidation of the claims at Pine Grove in June of 2007 by **staking and overstaking** the whole project area for a total of 189 lode claims totalling 3,905 acres. This staking intentionally over-staked some patented claims and 10 claims controlled by others. Lincoln recognizes that the pre-existing claims take precedence over their staking. A further 29 lode claims were staked in September 2009. Nine placer claims were staked in 2010 to cover existing placer deposits and old mineralized dumps in the Pine Grove drainage.

Property now consolidated and with water rights

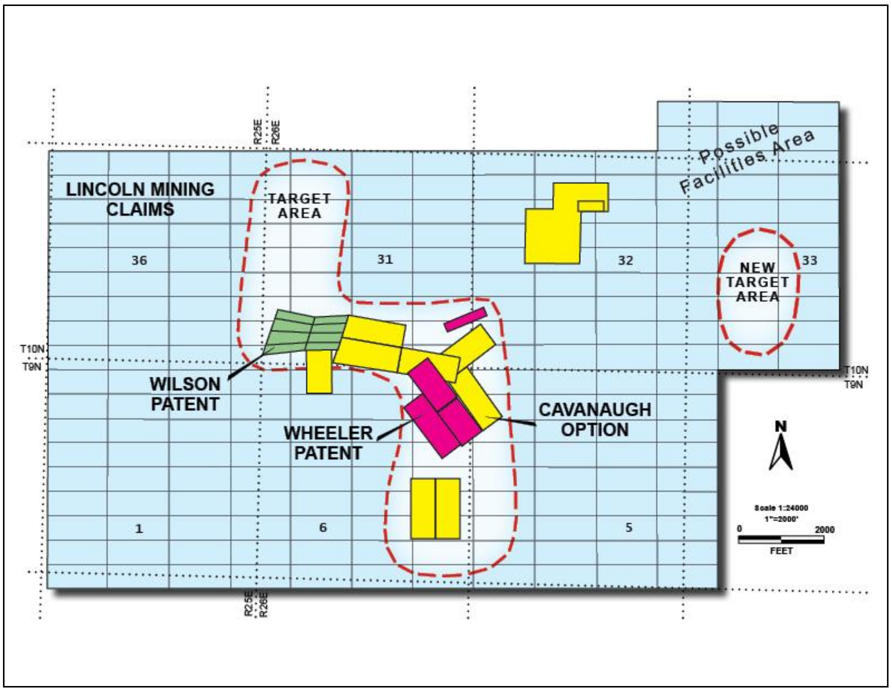
In August 2010, Lincoln completed the consolidation process at Pine Grove by buying 10 unpatented mining claims and associated water rights (collectively known as the "**Cavanaugh property**"). The purchase price was a total of US$650,000 and 400,000 shares mode in stages until August 2013.

The vendors will also retain a 1.5% net smelter returns royalty subject to Lincoln's option to buy down the royalty at a rate of US $75,000 per one-half percent. The balance of the payments indicated above following closing will be secured against the Cavanaugh property.

The addition of the Cavanaugh property completes the acquisition of all claims within the area of the Pine Grove project, Figure 1. The claims will allow the Company to plan its open pit mine designs and the design of the operation in general. The Cavanaugh property includes certain water rights which are expected to provide the Company with a large part of the water requirements needed for production purposes.

Figure 1 Outline claims map for the Wheeler and Wilson Mines area

(Source: Lincoln Mining)



4.2 Mining history

The Pine Grove District is a former gold producing district that hosted several underground mines. Gold was first discovered at Pine Grove in 1866, and within a year or so the town had grown to over 300 people. By the late 1880's the district hosted three mills producing $10,000 in gold bullion each week. The nearby town of Pine Grove grew to over 1,000 people[2]

The 1880's mining boom at Pine Grove produced roughly 250,000 ounces in gold. Some 150,000 ounces was produced from the Wilson mine, whereas the remaining 100,000 ounces was produced by the Wheeler mine on the other side of the canyon. Grades reportedly averaged 1.40 ounces per ton (opt) at Wilson, and 1.30 opt at Wheeler. During this period some 10,000 feet of underground workings were developed, along with a number of winzes, shafts and adits.

Figure 2 The old stamp mill at Pine Grove.

Pine Grove was a classic western mining town exploiting high grade veins….

Lincoln now plans to mine out the material left behind

[2] Reputedly with three double storied hotels, five saloons, three blacksmith shops, one variety store, a Wells Fargo agent, a large general store, a hardware store, a boot maker, a shoe shine parlour, a dance hall, a public school, a post office, doctor, notary public, and a Justice of the Peace (and no doubt other facilities traditional to a mining camp!)

These workings were highly selective, picking out the best bits of narrow high grade veins. Even so, it is uncertain if the quoted grade was as mined or represents a mill head grade after hand sorting at the surface (a.k.a. "hand cobbing"). Mining began to decline by the early 1890's, although there was sporadic work at times later on. The main set of California-type stamps is preserved, Figure 2. Mining ceased by 1915.

Lincoln's mining plans will involve the construction of an open pit covering the area of old workings and removing the remaining high grade veins (either left in situ or undiscovered) and volumes of lower grade rock previously uneconomic to extract. It is likely that the pit will extend beyond and below the areas formerly worked.

4.3 Geology and mineralization

Part of the "Basin and Range" province

The region is dominated by what geologists call "Basin and Range-style" topography. In Nevada, these are north trending, extensional fault-block mountain ranges separated by alluvium-filled valleys (basins). The ranges have cores of Mesozoic volcanic, sedimentary and intrusive rocks that are in turn overlain by Tertiary sedimentary and volcanic rocks. The Pine Grove Hills occupy one such west-dipping structural range block that is bounded on the east side by a series of faults, some of which transect the Pine Grove District.

Igneous rocks make up most of the crus in the area; these have been faulted and then stretched

In the Yerington area, granite porphyry dyke swarms cut an earlier quartz monzo-diorite[3] batholith, all dated at 169-168 Ma. The batholith is overlain by a 2 to 3 km-thick cogenetic andesite/quartz- latite flow-dome complex with interbedded volcaniclastics (i.e. the whole sequence formed at the same time). The batholith intruded a 3 km thick sequence of Middle to Upper Triassic andesite-rhyolite volcanic arc and an Upper Triassic to Middle Jurassic shelf sequence of volcaniclastic, argillaceous, and carbonate sedimentary rocks, including evaporites and with wind blown sandstone at the top.

The present day block bounding faults represent response to E-W stretching[4] in the brittle upper crust; as a result features that were originally steeply dipping have been rotated to shallower dips. One of these is the most significant geologic feature in the district - a northwest-striking, northeast-dipping normal fault that juxtaposes Mesozoic intrusive rocks in the footwall against intrusives capped by Tertiary sedimentary rocks in the hanging wall. This structure, known as the "Pine Grove fault" is a diffuse, 200 m-wide extensional shear zone that forms part of the eastern boundary of the Pine Grove Hills structural block. Numerous parallel igneous dykes occur within the fault, and the structure has served as the locus for mineralization in the district[5].

Gold found in a shear zone along a regional fault

The mineralization at the Pine Grove Project consists of native gold with minor copper in thin, sheeted, quartz veins in a shear zone in intrusive rocks. The shear zone is thought to be disrupted by later faulting, and exploration at the property will focus on locating additional areas within undiscovered mineralized portions of the shear zone.

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[3] A coarse-grained igneous rock made up of plagioclase feldspar, orthoclase feldspar, hornblende, and biotite, with or without pyroxene. Plagioclase (sodium rich) is the dominant feldspar making up 60–90% of the total feldspar and varying from oligoclase to andesine in composition. The presence of the orthoclase feldspar (potassium rich) distinguishes this rock from a diorite. In the Yerington area, Sr isotope ($^{87}Sr/^{86}Sr_{initial}$ = 0.7040) and whole-rock oxygen isotope values and major and trace element compositions indicate parent magmas were high-K andesites, probably derived by fractionation of basalt with little crustal contamination. Forgive the geo-talk, for further details see http://pangea.stanford.edu/research/ODEX/marco-yerington.html .

[4] Estimated at ~150%

[5] Much of the description of the Pine Grove deposits and historical exploration in this report is drawn from an NI43-101 compliant report prepared for Lincoln by David Stone of Minefill Services Inc in December 2008. This report was filed on SEDAR (www.sedar.com) on 10th February 2009 (54 Mb in the SEDAR filing, takes a while).

Wheeler Mine

The Wheeler mine, Figure 3, is situated in a block of granodiorite adjacent to the hanging wall of the Pine Grove fault at the contact with the Tertiary conglomerate and above the granite porphyry and other dykes. The deposit at Wheeler comprises a elliptical shaped tabular zone measuring some 400 m by 200m in plan, by about 90 m in thickness. It lies parallel the Pine Grove fault and its attendant dykes, dipping at about 30 degrees to the northeast. The deposit consists of one to three sub-parallel, irregular zones of anomalous gold mineralization from 3 m to over 15 m thick that branch and coalesce.

Figure 3 View of the Wheeler Mine area from the top of the Wilson Mine claims

(Photo: Loeb Aron & Co).

Post-mineral shearing has disrupted the internal structure of the Wheeler mine vein system such that sizable volumes of gold-bearing gouge[6] are typically encountered. This shearing has disrupted the veins and produced zones of crushed and pulverized material containing tiny blebs of silica that were probably once portions of discrete veins.

The mineralized quartz veins contain pyrite with minor chalcopyrite, pyrrhotite, and native gold. Gold occurs as irregular grains from about 0.1 mm to several mm in size. In unoxidized material it is found either in cracks in, or on the surface of, pyrite crystals, typically near chalcopyrite grains, It is also found along quartz grain boundaries or as tiny inclusions in pyrite. In oxidized samples the gold occurs as larger isolated grains in patches of iron oxide. The sulphide content in the veins rarely exceeds 10 percent and is commonly much less.

Coarse gold is present – which probably attracted the original miners in the 19th century

The presence of coarse free gold suggests that some care has to be taken in interpreting drill analytical results as sampling variability may be high and also points to the desirability of removing gold by gravity methods before cyanide leaching is attempted. Coarse gold in a heap can dissolve slowly and give rise to longer leach times. The problem is that gravity methods require much finer crushing than the ¼″ to ½″ crush typical of heap leach pads. The usual compromise is to attempt to separate out the small fraction of higher grade ore for

A gravity circuit might be used to remove coarse gold before heap leaching

[6] Gouge – finely powdered rock resulting from the grinding of one fault face against the other; this may remain as clay or be later cemented into a fine grained and tough rock depending on local circumstances; the former apply at Wheeler.

gravity treatment, which we understand Lincoln are considering.

The Wheeler mine was subject to selective narrow vein mining in the 19th century; Lincoln plans to open pit mine what is left which will include both high grade remnants and lower grade areas un-economic for hand miners at that time.

Wilson Mine

Mineralization at Wilson, Figure 4, is confined to discrete tabular zones in the granodiorite that dip between 0° and 10° north. Two or three, and in places up to six, separate, stacked mineralized zones from 3 to 20 m thick are separated by thicker, un-mineralized rhyolite porphyry and dacite dykes. The deposit is traceable for 150 m down-dip, and the mineralized zones extend virtually flat for at least another 350 m down-dip to the north where gold bearing veins have been encountered in drill holes.

Figure 4 View of the Wilson Mine area from the top of the Wheeler Mine including tailings and old mine dumps. (Photo: Jeff Wilson).

Gold-bearing veins are similar to veins at the Wheeler, and range up to 1m in thickness. Veins are traceable for 15m or more in surface outcrops, are strongly fractured and stained with iron and copper oxides, and contain discontinuous pods to several cm of sulphide rich, siliceous material.

Again, Lincoln is planning to remove the material left behind by 19th century narrow vein hand mining.

4.4 Exploration, resources and metallurgical test work

An exploration program was undertaken by Teck Resources from 1988 to 1992. During this period Teck drilled some 160 surface reverse circulation (RC) holes, both vertical and angle, comprising 16,159 m (53,000 ft) with 62 holes on the Wilson and 98 on the Wheeler. The bulk of the drilling was concentrated at the Wheeler and Wilson mines where the vertical RC holes were collared on roughly 35 m spaced grids that cover the two mineralized areas. The RC angle holes were drilled after the grid, to better define the mineralized areas. Holes were also drilled around the grids to attempt to identify the margins of the mineralization.

Present resource is based on work by Teck from the late 1980's

In February 2008, Lincoln Gold drilled four core holes to acquire mineralized material for metallurgical testing, 2 on each of the Wilson and Wheeler. Drilling conditions were extremely difficult due to zones of shattered rock and clays and the presence of old mine workings.

Despite the presence of coarse gold, Teck reported no problems with sampling, the repeatability of analyses or independent check assays using standard methods.

Teck undertook a program of bottle roll tests on ten samples of minus ¼" rotary drill cuttings. The recoveries for the ten samples ranged from 57 to 84 percent, with an average of 73 percent. Cyanide and lime consumptions were normal to low, except where the copper content of the ore exceeded about 0.1% which causes a significant increase in reagent usage.

Minefill Services Inc re-evaluated all the Teck data and calculated an NI43-101 compliant inferred resource for the Wilson and Wheeler deposits in 2008. This has been superseded by a March 2011 NI43-101 compliant report from Tetra Tech Inc., Table 3. The cut-off grade illustrated in the table was selected by Tetra Tech Inc on the basis of a $1,000/oz gold price and a review of comparable producers.

Latest resource estimates based on Tetra Tech Inc March 2011 report

Table 3 Indicated and Inferred mineral resources at 0.31 g/t cut off for the Wilson & Wheeler deposits, Pine Grove, Lyon County. (Source: Tetra Tech Inc NI43-101 Report, March 2011. Gold grades converted to grams per metric tonne from troy ounces per short ton by multiplying by 34.2 and rounding down)

Wilson area (no capping of assays)			
	Tons	Au grade (g/t)	Au (oz)
Indicated	2,636,000	1.02	78,000
Inferred	3,800,000	0.95	108,000

Wheeler area (no capping of assays)			
	Tons	Au grade (g/t)	Au (oz)
Indicated	2,680,000	1.26	99,000
Inferred	336,000	0.75	7,000

Tetra Tech Inc report that no high-grade capping or high cut was necessary for either deposit as gold grades followed a simple log-normal distribution. The Wilson deposit remains open to the northeast, with a single mineralized hole (14m@ 1 g/t) some 150m from the nearest row of holes and gold soil anomalies are present to the west.

In 2008, Lincoln drilled four large-diameter PQ core holes (799 ft) for metallurgical testing by McClelland Laboratories in Reno, Nevada. Metallurgical tests have recently been completed and included density determinations, bottle-roll leach tests, five 6-inch diameter column leach tests, and waste rock characterisation. The results of the column leach work are given in Table 4 below.

Good gold recovery from column leach tests at coarse crush.

Table 4 Column leach tests on composite samples from the Wheeler and Wilson Mines (Source: Lincoln Mining)

Sample I.D.	Feed Size	Gold Grade (opt)	Gold Recovery
Wheeler Composite	80% -3/8"	0.048	87.5%
Wheeler Near-Surface Composite	80% -3/8"	0.080	85.0%
Wilson Composite	80% -3/8"	0.064	62.5%

Lincoln has undertaken two drill programmes during 2009/10 on the Wilson and Wheeler properties. Results from the first of these have been announced (press release, May 18th 2010) while those from the second are still awaited. A summer 2010 programme was terminated early due to poor contractor performance after 11 holes, two of which were lost in overburden and five encountered narrow zones of gold mineralization with intercepts ranging from 5 to 15 ft and grading from 0.013 to 0.035 opt gold (resource cut off 0.01 opt gold).

A summer 2010 soil sampling program extended westward from the Wilson patented claims. North-south sample lines were spaced 100 ft apart with sample stations every 50 ft. All 800 samples collected were assayed for gold and copper and showed at least six strong gold anomalies trending northward along the western margin of the Wilson patented claims. Subtle northwest-trending gold-in-soil zones were also identified. Copper assays produced a strong anomalous area in the south-western portion of the Wilson patented claims and an anomaly coincident with the gold anomalies just northwest of the Wilson patented claims. Lincoln believe these anomalies to be potential drill targets.

Biological and cultural surveys have been completed, and a weather recording station has been installed.

4.5 Progress towards a feasibility study

At the end of July 2010 Lincoln announced that it intends to advance Pine Grove to production and envisions an open-pit mine with heap-leach processing on the property. This will involve continued drilling, metallurgical testing, and the compilation of a scoping study (preliminary economic assessment).

A reverse-circulation drilling program started in November 2009 was designed to reaffirm and potentially upgrade the Inferred resources at Pine Grove to Indicated and Measured. Drilling, confined to the Wilson and Wheeler patented claims, was completed in February 2010 with a total of 63 holes (16,341 ft) averaging 259 ft each. The results were summarised in a May 18th 2010 press release and included a number of both low and high-grade gold intercepts appearing to be consistent with the general tenor of the earlier Teck exploration.

In July 2010 Lincoln started further drilling at Pine Grove. Drilling on the Wilson was primarily step-out drilling on known mineralization while at Wheeler it was largely infill. The programme had been stopped early due to poor contractor performance by the time of Loeb Aron's site visit in September. An NI43-101 compliant resource, including significant indicated resources of 177,000 ounces, came out in March 2011.

Four more PQ core holes were drilled in 2010 on each of the mineralized zones for additional column test work and other metallurgical tests. Test results will be used by Kappes, Cassiday & Associates (Reno, NV) in the design of the process flow sheet and plant. An updated resource has been prepared by Tetra Tech (Golden, CO). All new data will eventually be included in a Preliminary Economic Assessment followed by a Feasibility Study. JBR Environmental Consultants in Reno, Nevada have been contracted to expedite all stages of permitting. Lincoln announced in January 2011 that permitting and environmental studies will continue in 2011 and, in addition, geotechnical drilling is planned as well as more exploration drilling necessary to better define the high-grade zones that have been intercepted. With the establishment of a JV on their other properties where a partner is earning in, it would seem likely that Lincoln will try to speed up this work.

Further drilling to be followed by a PEA and feasibility study

In March 2011, Tetra Tech Inc., as part of their NI43-101 compliant resource report, concluded that at that time "*there appears to be no environmental fatal-flaw issues that would materially impede the advancement of the project*".

5 ORO CRUZ PROJECT, IMPERIAL COUNTY, CALIFORNIA

The Oro Cruz property in Imperial County, California, is the Company's most recent acquisition with the lease and royalty based agreement announced in February 2010. An NI43-101 compliant technical report by John W Rozelle of Tetratech Inc. was completed and filed on SEDAR in September 2010. The descriptive parts of this section draw heavily on that report. This project is subject to a JV with Elgin Mining Inc, who are earning up to 60% by spending up to $6m on this project.

Oro Cruz project acquired in early 2010 and now subject to JV with Elgin Mining Inc.

All-weather access is excellent and takes about 35 minutes via the interstate highway I-8 westward from Yuma, Arizona, approximately 13 miles to paved county road S34, then northeast approximately 8 miles to Tumco. Dirt roads provide property access. Some local access restrictions exist owing to historic mine ruins. The Oro Cruz property is located some 14 miles southeast of the operating Mesquite gold mine (New Gold Inc.) and is also adjacent to the American Girl gold mine (past producer, 428,000 ozs gold) with logistics that are excellent for mining, including electricity from the state grid in the area.

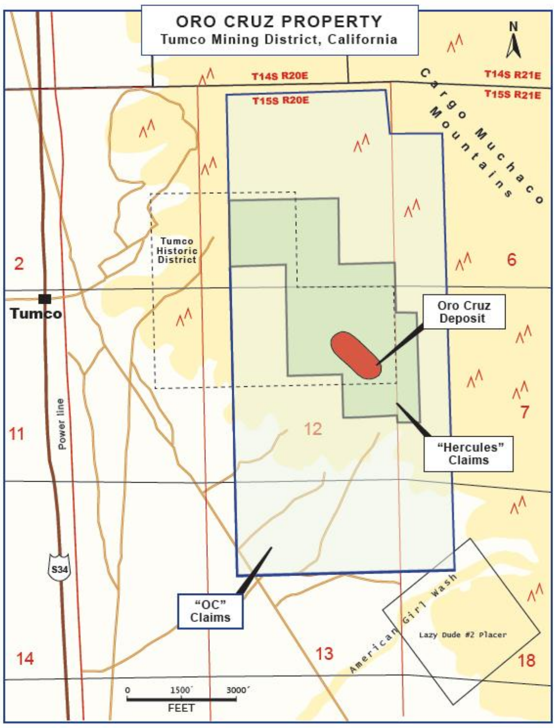
5.1 Title, lease payments and royalty

Typically US mineral titles are held either as patented or unpatented lode mining claims. In the case of the Oro Cruz Gold Project, all of the mining claims are unpatented lode mining claims that are located on Bureau of Land Management (BLM) administered lands. Under US Law, titles to mineral claims do not expire as long as payment of the annual fee is made.

All the mining claims are on Bureau of Land Management administered lands

Figure 5 Oro Cruz property outline of claims prior to the recent extension of lode claims in December 2010

(Source: Lincoln Mining)



In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln Gold US Corp., concluded a lease agreement ("the Lease") with ADGIS Inc[7] of Reno, Nevada to lease the 20 lode claims covering the Oro Cruz

[7] ADGIS belongs to geologist Paul D Hartley who is also President of TerraSource Software Inc, http://www.terrasourceonline.com/ , a mining software reseller and data management consultancy; the historical database has been looked after over the years with great care!

Property. The Lease involves advance royalty payments beginning at US$50,000 per year and gradually increasing to $200,000 US per year in the 7th year. 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 $500,000 per half percent. The Company, prior to the conclusion of the lease agreement, also staked an additional 68 contiguous lode claims covering ~1,800 acres. In December 2010 a further 63 lode claims were added, covering structural projections of the American Girl and Madre-Padre gold deposits which were mined in the late 1980s to the mid-1990s consisting of areas of both bedrock and sediment covered pediment.

Land package consolidated via lease subject to royalty and by staking of further claims

5.2 Mining history

The property is located in the Tumco mining district in the Cargo Muchacho Mountains some 15 miles northwest of Yuma. Gold was discovered by the Spaniards and mined as early as 1780-81 and is believed to have been the first gold mine in California. Americans began mining the district at the end of the Mexican-American War in 1848 and operations became firmly established in 1877 with completion of the Southern Pacific Railroad to Yuma. Large-scale mining at Oro Cruz (Golden Cross) occurred during 1890-1916 and 1932-1941, producing more than 150,000 ozs gold. Gold-bearing tailings from these operations remain on the Oro Cruz property.

In the mid 1990s, the property was mined by MK Gold Company. MK Gold produced approximately 61,000 ozs gold between 1995-1996 from both open-pit and underground mining operations. Low-grade ore was hauled approximately 2.5 miles to the southeast and heap leached on the American Girl mine property and high-grade ore was hauled approximately 2 miles to the American Girl mine itself for milling. Mining ceased in 1996 due to low gold prices. Prior to cessation, MK Gold was conducting a significant pit wall push back to reach in-place "ore." Gold mineralization remains exposed in the open-pit and in underground workings. There are multiple exploration targets on the property.

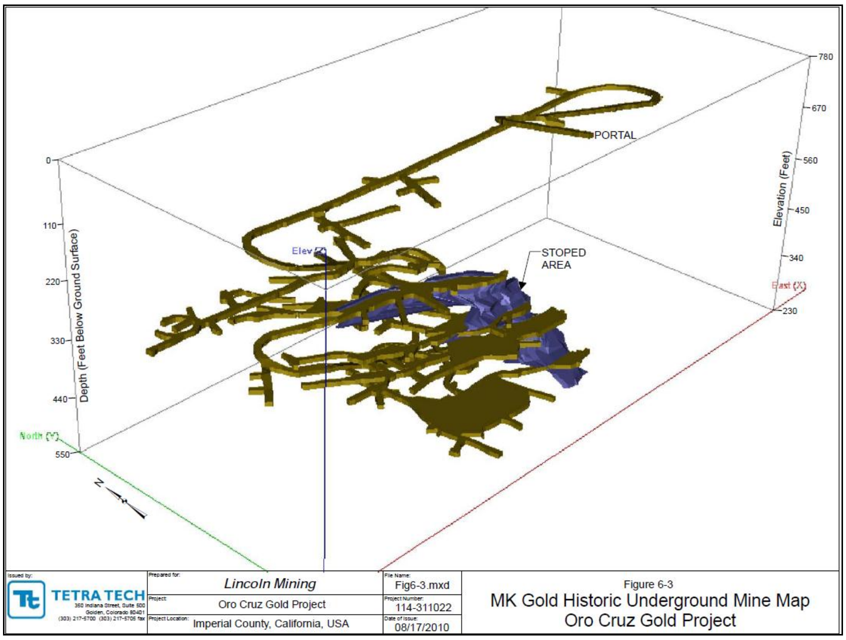
Prior operations in the 1990's halted by low gold prices

There are ~400 drill holes on the property, which define the known in situ gold resources and drill targets. Underground workings, mainly development with limited stoping, are extensive and said to be in excellent condition for the most part. Loeb Aron's visit did not include an underground inspection, time not permitting.

Extensive well documented database and u/g access

Figure 6 Tetra Tech's rendering of the underground workings at Oro Cruz

(Source: Tetra Tech, 2010)



5.3 Local geology and mineralization

The Cargo Muchacho range is comprised of well-foliated gneiss and schist of likely sedimentary origin with some volcanic input uncertainly dated to the Jurassic and known as the Tumco Formation which has been metamorphosed to amphibolite facies. Late Cretaceous – early Tertiary biotite granite and associated pegmatite dikes cut the Tumco Formation and also cut Mesozoic hornblende-biotite quartz monzonite. The granite and monzonite form large intrusive bodies in the range. The principal structural fabric in the range is west-northwest. Low-angle faults are cut by northwest trending faults. Minor Tertiary latite[8] dikes and sills are also present. The western portion of the project area is pediment covered by alluvium and the eastern portion is intruded by Jurassic felsic intrusions. Geologic maps of the district were completed by J.T. Dillon in his 1975 PhD thesis and by Texasgulf Minerals in the 1980s.

The main Oro Cruz gold deposit is an irregular, elongate, tabular zone of tabular schist with associated magnetite, banded iron, and minor chalcopyrite (which gives rise to blue copper staining at outcrop) that dips with the foliation approximately 25° to the southeast from the pit floor for at least 1,650 ft. There are no significant sulfides. Very fine native gold occurs as disseminations and in fractures associated by magnetite, hematite and hydrous iron oxides limonite and goethite. Lower grade gold zones often encompass higher grade gold zones. Tertiary north-south to northwest normal faults cut the dipping mineralized zones.

No significant sulphides, fine grained gold – good for resource estimation and for leaching

The Oro Cruz gold deposit is currently believed to be a detachment-fault-related gold deposit consisting of replacement mineralization along a low-angle detachment (listric) fault. Previously, Texasgulf believed that the Oro Cruz gold deposit was an exhalite[9], a style of mineralization popular with geologists in 1970s and 1980s but now less frequently suggested. Most gold is very fine with ±64% <1 to 5 microns in size. No significant toxic elements are present as are found in some epithermal deposits. The "ore" bearing rock is considered unlikely to give rise to acidic mine drainage water.

The deposit at ± 0.3 g/t gold cutoff grade is approximately 175m wide, 106m thick, and has a known down-dip length of about 850m, including a portion mined out by the existing pit. Abundant high-grade stringers (>3 g/t gold) occur within a lower grade envelope grading 0.3 to 1.5 g/t gold. Continuity of mineralization appears good to excellent. Isolated stringers occur above and below the principal zone of Oro Cruz mineralization. The deposit remains open down dip.

Large tabular ore body with good continuity of gold values

Satellite deposits are known, one of which (Queen) was mined out and the open pit part backfilled. Ten exploration targets have been identified on the property and potential exists for extension of known gold mineralization and discovery of new gold zones.

5.4 Resources and metallurgical test work

Texasgulf Minerals conducted exploration during the late 1980's, which included district-wide geologic mapping, airborne and ground magnetic, surface sampling and drilling. Magnetic anomalies are thought to be associated with elevated magnetite in the siliceous, gold-bearing zones.

The previous owner of the property and the American Girl Mining Joint Venture also conducted exploration

[8] Latite - a not visibly crystalline(i.e. too fine grained to see crystals with the naked eye!) rock of volcanic origin composed chiefly of sodic plagioclase and alkali feldspar with subordinate quantities of dark-colored minerals in a finely crystalline to glassy groundmass. Abundant in western North America, usually white, yellowish, pinkish, or gray, it is the volcanic equivalent of monzonite and sometimes known as trachyandesite(hope that's useful).

[9] Exhalites, which do exist, are deposits formed from minerals deposited on the sea bed or lake floors from hot fluids carrying metals in solution issuing from vents. The metals deposit on the mixing of the hot vent fluid with the cool sea or lake water.

programmes resulting in over 400 drill holes totaling 196,324 ft. (59,839m) of drilling of which 6,818 ft. (2,078m) was core drilling. A total of 79,805 ft. (24,324m) have been drilled outside of the main resource area.

Extensive database requires limited modern confirmatory work in compliance with NI43-101 in order to upgrade resource classification

Historical gold resources were estimated by Mine Development Associates of Reno, Nevada in 1999 (prior to the establishment of CIM2000 and NI 43-101 compliance requirements). Resources were then estimated at 3,365,298 tons grading 0.058 oz per ton gold containing approximately 196,000 ozs gold in the "Indicated" category using a 0.01 oz per ton gold cutoff grade. In addition, 2,683,552 tons of "Inferred" resources were estimated with no grade assignment. A NI 43-101 compliant technical report by Tetra Tech Inc. (filed Sept 21, 2010) announced an Inferred resource estimate of 341,800 ozs gold at an average grade of 0.07 oz/t (2.4 g/tonne). Because the project and supporting data predate the creation of the National Instrument 43-101, none of the original assay data meet current NI 43-101 and Canadian Institute of Mining (CIM) requirements for reporting of measured and indicated resource classes. Therefore, all of the reported resources are classified as inferred resources[10].

Lincoln Mining Corporation has not yet announced collection of any metallurgical samples and/or completed any metallurgical testwork. However, the production history allows inferences to be reasonably made with respect to expected process and metallurgical performance. The ore will likely be amenable to cyanide leach technology, and depending on the crush size has shown gold recoveries by straight forward heap leaching in excess of 70 percent. Crushing and grinding to finer sizes increases recovery, but at an increase in cost. Optimization studies will be needed, possibly including agglomeration studies.

Table 5 Input data used by Tetra Tech Inc to calculate the resource, 2010

(Source: Tetra Tech, 2010)

Type of data	Number of Data	Source of Data	Total Length (ft.)	Total Number of Assays
Surface Drillholes	491	Various	196,654	37,709
U/G Drillholes	60	MK Gold	1,350	338
U/G Channel Samples	2,960	MK Gold	14,960	2,960
Surface Blastholes		MK Gold		
Cross Pit	6,770		67,770	6,770
Queen Pit	6,858		68,580	6,858
U/G Workings	1	MK U/ground Mining Contractor	-NA-	-NA-
Surface Soil Samples	1,058	M. Tomabene & Texasgulf Minerals	-NA-	1,058
Surveyed Topography	1	The Orthoshop - Tucson	-NA-	-NA-

Table 6 Oro Cruz resource summary

(Source: after Tetra Tech, 2010)

Class	Tons (tonnes)	Average Grade (Oz/ton)	Average Grade (g/tonne)	Contained ounces
Inferred	4,835,000 (4,395,454)	0.07	2.4	341,800

[10] Tetra Tech commented: "*With respect to the inferred resource reported in this technical report, Tt would like to point out that a significant amount of information formed the basis of the estimate. The information has come from a number of different sources, some of which are independent third-party companies, and has formed a coherent, well-founded indication of the remaining mineralization on the Oro Cruz property.*"

Figure 7 Capped shaft at Oro Cruz

(Photo: Loeb Aron & Co., Paul Saxton to the left, Mike Attaway to the right)

5.5 Progress towards a feasibility study

The inferred resource is unusually well supported, and is likely to require only a modest amount of further effort to upgrade much of the resource into the measured and indicated categories. Tetra Tech designed a programme of twin holes and infill holes together with bulk density and metallurgical testing costing US$770,500 leading to an updated resource and technical report as the next logical step.

6 LA BUFA PROJECT, CHIHUAHUA STATE, MEXICO

The La Bufa Project is located in the far southwest corner of the state of Chihuahua, Mexico near the town of Guadalupe y Calvo about 300 kilometers from the city of Chihuahua and 200 kilometers from the town of Hidalgo de Parral. The project is within the Guadalupe y Calvo Mining District and lies within the Sierra Madre Occidental province. The project, as bought from Almaden, consists of four contiguous concessions (La Bufa, La Bufa 1&2 and El Chapito) totalling ~2,300 hectares and covering ~11km of strike along a mineralized trend. The project is subject to a JV with Elgin Mining Inc, who are earning up to 60% by spending up to $4m on this project.

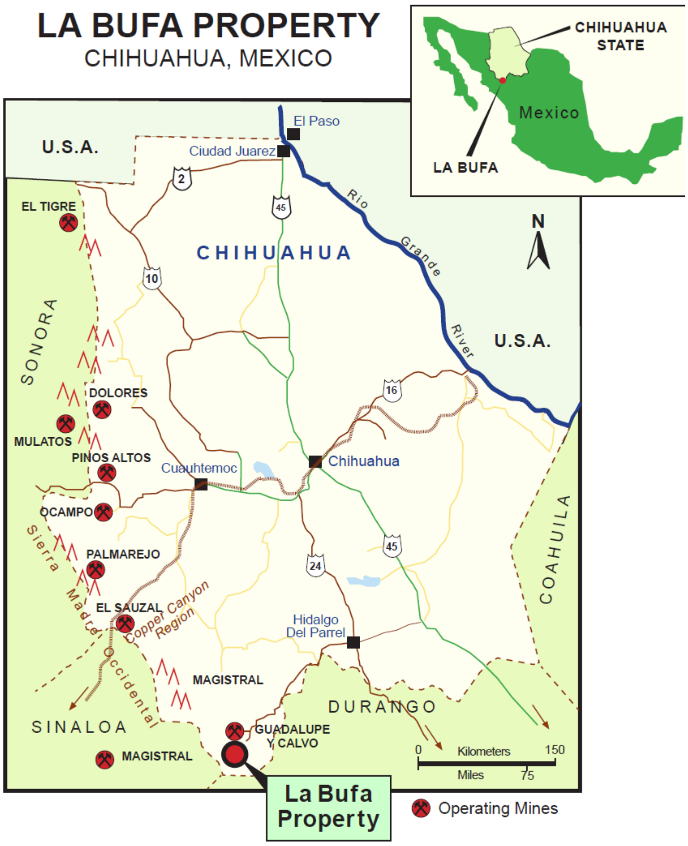
Silver exploration project in Mexico

The northwest trending Sierra Madre mineral belt consists of numerous gold and silver mines including Dolores, Mulatos, Ocampo, Pinos Altos, Palmarejo, and El Sauzal. Access is via paved Highway 24 from Hidalgo del Parral, a mining-based city with a population of 100,000. The property concessions are adjacent to the small town of Guadalupe y Calvo, which has an estimated population of just under 5,000. The town has electrical power from the national grid and a local airstrip is available for small charter and private aircraft. The company considers that logistics are excellent for mining.

The primary target is the discovery of a deposit leading to the development of a high-grade underground mine.

Figure 8 Location map of the La Bufa property, Chihuahua, Mexico

(Source: Lincoln Mining Inc)



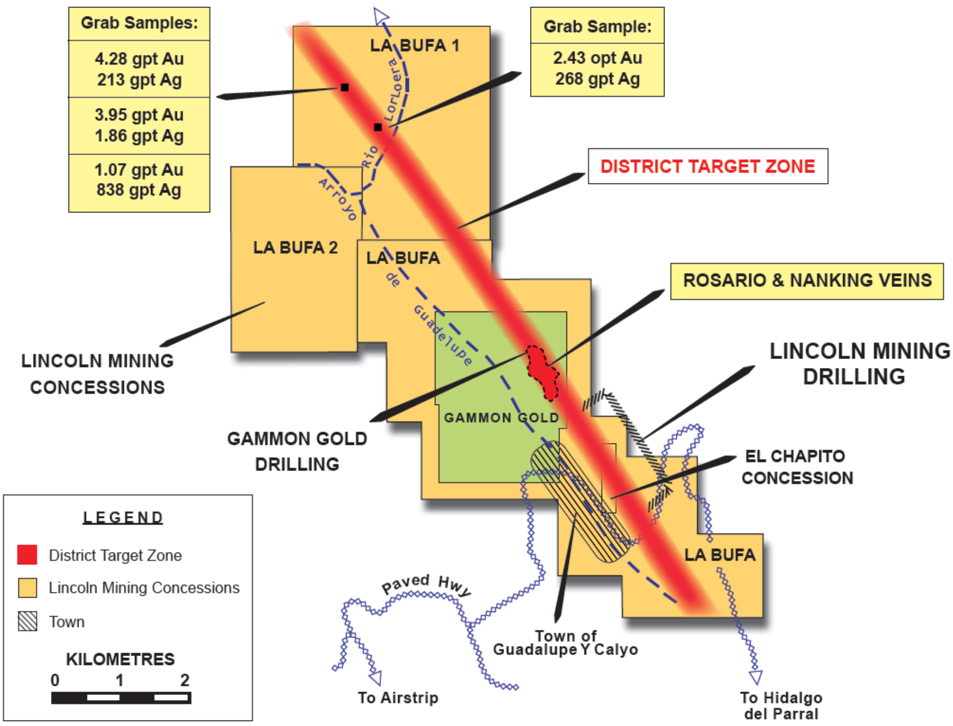
6.1 Title and royalty

In February 2010, the Company purchased the La Bufa property from Almaden Minerals Ltd., replacing a 2007 JV earn-in agreement. The purchase price was the issue of 6,000,000 common shares to Almaden and granting a 2% NSR on all future production from La Bufa. The Company has the option to buy down 1% of the NSR within one year following the decision to place the property into production, for a fair market price to be determined by an independent consultant at that time.

Purchased outright in 2010

Figure 9 La Bufa project concession map. Whilst surrounding Gammon Gold's Guadalupe and Calvo concession, the Lincoln Mining concessions are themselves surrounded by a larger Gammon Gold Inc concession package.

(Source: Lincoln Mining Inc; figure of 2.43 opt Au from La Bufa 1 probably a misprint for 2.43 gpt)



6.2 Mining history

Significant historical gold and silver production

The district, nearly all from the Rosario Mine, reportedly has historic production of 2 million oz gold and 28 million oz silver, mostly over the period 1834 – 1939, from the high grade quartz breccia veins of the underground El Rosario mine which is now controlled by Gammon Gold Inc (now changing it's name to AuRico Gold Inc). The estimated grade of production was 37 gpt (1.08 opt) Au plus 870 gpt (27 opt) Ag with excellent metallurgy. The mine production was sufficient to allow the Mexican government to establish a mint in Guadalupe y Calvo. The mint operated from 1845 until 1852 and was opened at the request of local mining interests who wished avoid the necessity of taking their silver bullion on the long and dangerous journey to Chihuahua; tax collection closer to source may also have been a consideration[11]. This mint is still present as a museum.

[11] Extract from http://www.coinfactswiki.com/wiki/On_the_coinage_of_the_Guadalupe_y_Calvo_mint *Guadalupe y Calvo was in a remote, but very rich mining area. Its remoteness was one of the principal reasons that local mining interests pressed for the establishment of a mint. The nearest mint was in Chihuahua and transporting bullion there was difficult and dangerous. There were frequent attacks by Apache and Comanche Indians,as well as local bandits. On 30 October, 1842 Dictator Antonio Lopez de Santa Anna authorized a ten year lease to the British firm Mackintosh & Company, operating as Compania Minera Mexicana de Guadalupe y Calvo. The mint opened 1 June, 1844. As specified in the lease, the original matrices were provided by the Mexico City mint.*

"In late 1847 Guadalupe y Calvo became the first mint in the Republic of Mexico to employ steam powered presses for the minting of coins. This important event is commemorated by a medal dated 1 December, 1847 bearing the name of the mint director Tomas Mackintosh. This followed by only eleven years the introduction of steam press technology at the Philadelphia mint.

"In 1849 the lease passed to Jecker Torre y Cia., who, at the same time, also took over the lease for the mint at Culiacan. There were numerous administrative problems at the mint. Finally, coinage operations ceased in April, 1852 and the doors were closed 22 May, 1852. Some of the modern equipment purchased for this mint found its way to Chihuahua where it was installed ca. 1860."

Multiple small, underground workings occur along the Santo Niño vein in the southern portion of the La Bufa property. Historic workings include the Monte Cristo shaft, El Chapito mine, and Santo Niño adit. All workings are collapsed.

6.3 Local geology and mineralization

The Lower Volcanic and Upper Volcanic series are the important formations. The Lower Volcanics, which are overlain unconformably by the Upper Volcanics, carry the silver and gold mineralization in the Sierra Madre and are typically exposed in "windows" such as valley bottoms and in up-faulted blocks. These Lower Volcanics (65 to 38 Ma) have less silica in them than the Upper Volcanics, and are dominated by intrusive stocks, flows and tuffs. The Upper Volcanics cover much of the concessions as flat plateaus, typically with soft ash muds interbedded with harder rhyolitic flows.

Mineralization on the La Bufa project is classified by geologists as typical low-sulfidation, quartz-adularia epithermal gold-silver veins and is similar to numerous other deposits in the Sierra Madre Occidental. The mineralized trend strikes northwest in varying intensity. The veins contain pyrite, arsenopyrite, galena, sphalerite and copper minerals. The ore minerals are thought to be electrum and argentite. The southern portion of La Bufa covers at least 1,700 meters of vein system strike. Multiple quartz veins crop out intermittently (carbonate is also present in veins) and range in thickness from 1 meter to 3+ meters within a complex fault zone up to 70+ meters wide. The property remains largely unexplored to the north of historical production areas where surface samples have returned ore-grade gold and silver values.

6.4 Exploration, resources and metallurgical test work

Gammon Gold's exploration success trending towards Lincoln's property

Gammon Gold Inc's project at the old Rosario Mine next to Lincoln's La Bufa project contains an Inferred Resource of 1.08 million ounces of gold and 45.6 million ounces of silver, or 2.02 million gold equivalent ounces (Pincock Allen & Holt November 2002 – much work has been done since). They have been having regular exploration success over the years and have extended the strike length of the known Rosario vein by several hundreds of meters most recently by a further 500m to the northwest towards the border with the La Bufa property. Gammon Gold believe that the Rosario and Nankin veins remain open at depth and along strike. Clearly, Gammon Gold's success here has some relevance for the surrounding and along strike properties.

Gammon Gold has carried out preliminary results from bottle roll metallurgical tests (performed by Mountain States Research & Development Inc. of Tucson) on ore samples from the Rosario vein, where four samples of <100 mesh ores averaged 93% gold recovery and 69% silver recovery.

On Lincoln's concessions, drilling by previous operators and more recently by Lincoln itself have collectively drilled 17 core holes (5,478 m) in the southern portion of the district with somewhat encouraging results (Table 7). It is fair to say that these figures point to shoots of ore grade material in narrow veins with likely limited tonnage. As a result, Lincoln has shifted its attention to the northern portion of the district which has received little exploration but which is much more extensive and has returned ore-grade assays from various surface samples.

Table 7 Significant drilling results from the southern part of the La Bufa concessions

(Source: Grid Capital Corporation press release January 21st 2005 and NI43-101 report for Lincoln Mining Inc. Most true widths about 70% of the apparent widths reported; 10,000 ppm = 1%)

Hole Number	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)	Pb (ppm)	Zn (ppm)	Cu (ppm)
GUD04-01	58.35	58.75	0.40	1.55	91.1	5650	9300	N/R
GUD04-01A	63.00	63.46	0.46	3.23	195	473	522	N/R
GUD04-01A	76.49	78.15	1.66	1.56	69.8	13440	17361	N/R
GUD04-03	64.38	66.00	1.62	9.00	447	744	554	N/R
and	68.91	70.52	1.61	8.70	503	842	1109	N/R
and	84.00	86.20	2.20	1.35	55.6	9544	10276	N/R
and	95.40	96.90	1.50	5.96	52.4	11072	19104	N/R
GUD04-04	73.18	73.70	0.52	2.87	363	179	271	N/R
and	107.71	108.57	0.86	2.50	109	234	244	N/R
and	121.63	122.45	0.82	1.76	80.8	365	793	N/R
LB-DDH-001	94.50	97.00	2.50	4.12	281	561	764	397
LB-DDH-003	172.22	173.72	1.50	10.70	516	25400	24200	5000
LB-DDH-006	50.29	51.79	1.50	3.91	110	510	413	868
LB-DDH-012	39.60	41.14	1.54	4.07	75	114	49	137

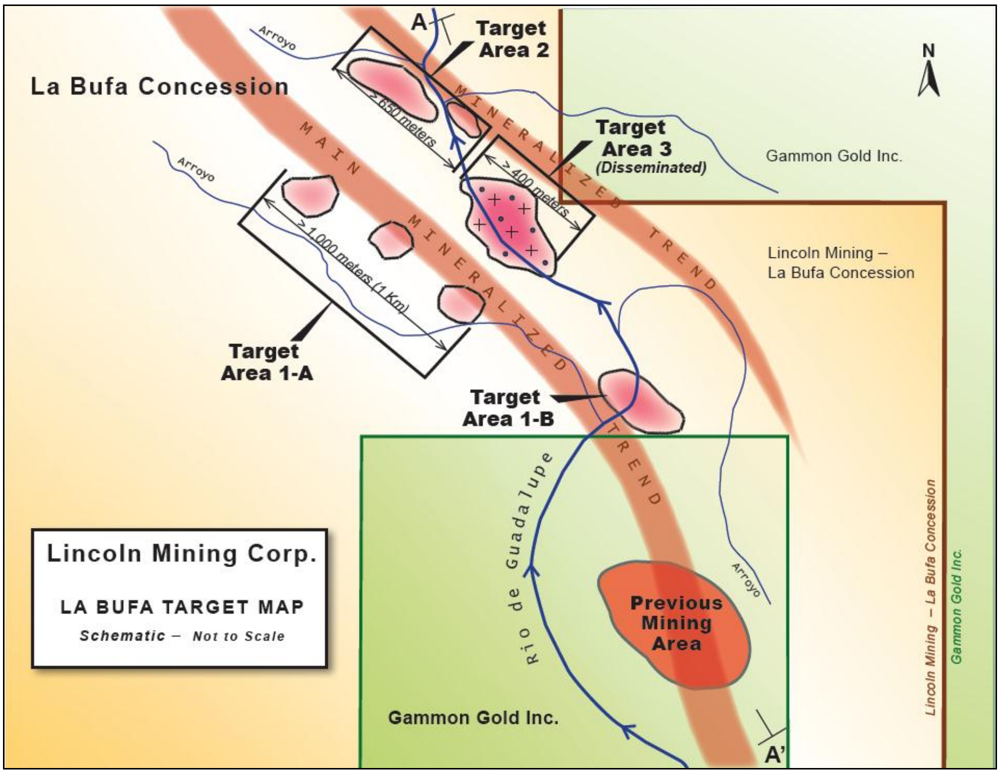
Drilling in the historically explored southern part gave promising but intersections, not rich enough or wide enough to merit development

– the emphasis has now shifted to the unexplored northern parts of the concession

Recent geophysics (resistivity and IP), mapping and sampling (typically chips from 2m x 2m panels) over the northern areas by Lincoln in 2009-2010 has identified three new target areas based on fault intersections, surface samples, geophysics and anticipated dilatant curves in the main NW trending vein system. Lincoln's project geologist, Filiberto Lopez, has established drill targets and has recommended a 5,000m drill programme covering the three target areas, Figure 10.

Figure 10 Outline of Lincoln's target areas for future drilling.

(Source: Lincoln Mining Inc.)



7 JOINT VENTURE WITH ELGIN MINING

On 31 March 2011, Lincoln announced the signing of an option agreement with Elgin Mining Inc. (TSXV-ELG) which granted Elgin the exclusive option to earn a 60% interest in the Oro Cruz and La Bufa properties by funding expenditures totalling $10 million over a four year period. In the first two years a total of $3m must be spent on Oro Cruz and $1m on La Bufa. After this, Elgin will acquire a 20% interest in each property for each $1m further that is spent on that property up to a total of 60% during the option period. Thus, no interest would vest until $4m has been spent at Oro Cruz and $2m at La Bufa. Lincoln will remain the operator on both properties until Elgin has earned a majority interest, after which time Elgin may become the operator.

Joint venture with well funded Elgin Mining Inc led by Bob Buchan

The JV has given Elgin the opportunity to develop mining projects. Do they have the motive and the means?

Elgin's balance sheet at 31st December 2010 showed cash, cash equivalents, marketable securities of over $50m with by far the majority as cash. Liabilities were under $2m. The strong balance sheet comes from the sale of a number of coal mining operations in the US, a policy initiated by Robert Buchan (the present Chairman, President and CEO) and the current board from early 2009 onwards.

Mr. Buchan founded, and is currently the Executive Chairman of, Allied Nevada Gold Corp., which position he has held since July 2007. Allied Nevada is a gold producer that operates the Hycroft Mine and which has a market capitalisation in excess of $3bn. Prior to a period with Quest Capital, from 1993 to 2005 he served as the CEO of Kinross Gold Corporation ("Kinross").

Elgin possesses the means, both by virtue of financial and management capability, to pursue the JV. Elgin has recently entered into an agreement to acquire the Lupin Mine in Nunavut together with another high grade deposit a further 150km to the north. This confirms their business plan as being the putting into production of profitable, modest sized gold mines. The mixture of a summer dominated operation in Nunavut and a southern California operation where the winter months are more favourable for work is logical.

Joint ventures are "two a penny" in the junior mining sector. Headline expenditure figures in the millions are not uncommon. However, a joint venture of this potential is rare. The partner is capable, financed, focussed and motivated to make progress. We liked Lincoln before the JV was announced, we like it even more afterwards. The market has not yet appreciated the potential of this move.

8 VALUATION AND FUTURE PROSPECTS

8.1 Comparative valuation

Variation in the enterprise value per ounce ("EV/oz") metric as applied to exploration companies with resources (rather than reserves) reflects differences in management capability, the mining merit of the deposit in question, sovereign risk, royalties payable, the taxation arrangements of the host country and region, permitting issues, capital expenditure required, degree of advancement of the resource data, and the likely conversion of resources into reserves when economic criteria are applied. Developments in reporting codes over the last decade have ensured that even at the resource level some basic quasi-realistic economic considerations are applied, removing from the public domain resources that may have been well defined geometrically, but obviously uneconomic. This improvement has removed one major reason for high variations in the EV/oz metric, and has made it more practical to use this measure.

In order to make useful comparison with other companies whose value lies primarily in their resources, we need to be able compare Lincoln, with indicated and inferred resources only, with other companies with a different mixture of measured, indicated and inferred ounces. Loeb Aron has chosen to do this by giving the better defined (and often higher grade and more economic) measured and indicated resources twice the weighting of inferred resources. Thus, a company with a market capitalisation of US$50m and 300,000 ounces of inferred resource plus 400,000 ounces of measured and indicated resource would be assigned an "equivalent inferred resource" of 300,000 + (2 x 400,000) = 1,100,000 "equivalent inferred ounces". The enterprise value (market capitalisation minus net cash) is then divided by this figure to give a relative valuation metric expressed in dollars of "EV per equivalent inferred ounce" ("EV/EIO"). Historical resource estimates (pre NI43-101) are given half the weight of inferred ounces, both because they will need further work and the lack of the need for a basic economic profitability test. Where part of the resource is made up of silver rather than gold an equivalence of 50 ounces of silver for 1 ounce of gold is used. Table 8 below illustrates a selection of companies measured in this way.

Comparisons made using "equivalent inferred ounces" ("EIR") as a measure

Table 8 Valuations of broadly comparable companies (and one recent large scale transaction) on EV/EIO; an "EV/oz", adjusted to 100% equivalent inferred ounces (EIO) where EIO = 0.5 x Historical + Inferred + 2x (measured + Indicated), Au = Ag/50 and GB£ = C$1.6, reference date April 2011

Company	Main operations	Share price ($)	Shares in issue* (m)	Net cash ($m approx)	EV ($m)	"Equivalent Inferred" Ounces	EV/oz on "equivalent inferred" basis ($)
Lincoln Mining Corp	***USA***	***0.20***	***83.17***	***1.0***	***15.6***	***828,000***	***19.3***
GGG Resources Plc ¶	Australia	0.49	150	13	60.5	990,000 §	61
Mega Precious Metals	Canada	0.66	61.3	5	35.45	1,200,000	29.5
St. Eugene Mining Corp Ltd	Canada	0.205	118	3.5	20.7	500,000 †	41.4
Kimber Resources Inc	Mexico	1.37	77	12	93.5	2,400,000	39
Moneta Porcupine Mines Inc	Canada	0.345	142	1	48	1,135,000	42.3
Oro Mining Ltd ¶	Mexico	0.305	120.7	14.0	22.8	827,940	27.6
Madison Minerals Inc ‡	PNG	0.18	37.4	0.1	6.63	3,538,000	1.9
Mediterranean Minerals Inc	Turkey	0.20	116	1.0	22.2	3,450,000	6.4
Fronteer Gold (sale)	USA	14.00	N/A	N/A	2,300	12,000,000	192

Lincoln is at the lower end of valuation per EIR compared to its peers – value addition is possible

* Adjusted for "in the money" warrants and options where needed

§ GGG Resources holds 50% of the Bullabulling project, merger of the two partners proposed giving 2m oz project.

† Assets include mill and u/ground development

¶ Loeb Aron & Co owns shares in Oro Mining; GGG Resources Plc and Mediterranean Resources Ltd are former clients of Loeb Aron & Co

‡ Specially as having a very low EV/EIO value for identifiable reasons

This appears to be a useful exercise from which we might draw three conclusions:

Firstly, we note that large premiums can be realised when large numbers of ounces are present, economies of scale can be anticipated and major mining companies emerge as bidders; in the case of Fronteer Gold this was Newmont. As things stand, this is not likely to affect Lincoln Mining which has relatively modest projects.

"Major" multi-million ounce transactions typically have high EIR valuations

Secondly, companies with projects taken over the range 0.5m – 2m ounces (expressed as EIO), the larger (or potentially larger) deposits typically attract a slight EV/EIO premium. Companies with these modestly sized projects, such as Lincoln, a good number attract EV/EIO values in the range C$30 to C$40. Lincoln is presently valued below the bottom end of this range. We interpret to mean reasonable market confidence in the team and project but with real scope for value appreciation, especially once the significance of the JV with Elgin Mining becomes more widely understood.

Thirdly, there are examples of companies with projects that have enterprise values very much lower than the C$30 – C$40 per "inferred equivalent ounce" range. The most extreme example is Madison Minerals with its Mt Kare project in Papua New Guinea which has a EV/EIO of less than C$2 due largely to intractable community relations problems preventing development. Such companies, to employ an astronomical analogy, are "*off the main sequence*" and whose projects, the market believes, are likely to remain as brown dwarfs[12] unless some change is brought to bear. These companies do not necessarily represent better value for investors unless that change takes place or can be identified as about to take place.

Companies with very low EIO numbers have clearly definable "issues" affecting valuation

8.2 Value addition

We believe that Lincoln Mining represents good value because:

(i) it just below the range of valuations where the market gives clear credit for progress made suggesting revaluation is likely on publication of the PEA and Feasibility Study,

(ii) the recent JV with Elgin Mining has removed significant financing pressure from Lincoln allowing future equity fundraising to be clearly dedicated to the Pine Grove project and

(iii) the currently inferred resource at Oro Cruz can be readily upgraded to measured and indicated without too much further drilling so adding further value. At Pine Grove, this upgrade has now taken place and progress can be made towards a feasibility study. At Oro Cruz the data set is comprehensive, but pre-NI 43-101, with only confirmatory twin holes needed to allow upgrade to measured and indicated status. Further exploration to add ounces at Oro Cruz is likely, as Elgin Mining have the financial wherewithal to undertake this work without dilution or financing risk.

We believe that Lincoln represents good value, with a clear value addition process identified

Advancing these small to medium scale projects are both well within the capabilities of Lincoln's management team and JV partner. The debt financing required for Pine Grove is likely to be modest, and again within the capabilities of the company to master. Projects of these grades and scales have been commonly brought into production in Nevada and Southern California in the past when gold prices were permissive, just as they are today.

Allowing for a modest fundraising and progress that allows Lincoln to be re-valued in line with its peers, a moderate term share price target of ~40c is suggested.

[12] Brown dwarfs, a term coined by astronomer Jill Tarter in 1975, refers to a classification for dark substellar objects floating freely in space which are too low in mass (generally below about 0.1 solar masses) to sustain stable hydrogen fusion and enter the "main sequence". A low EV/EIO reflects market belief that the project can not be taken forward under present conditions, just as insufficient stellar mass is unable to trigger hydrogen fusion. In relation to exploration we might note that a project cannot "take off" when the EV/EIO is less than cost of discovering an inferred ounce – further exploration activity will be value destructive. Taking the analogy further, excess mass (i.e. ounces) can lead to an explosive increase in luminosity (i.e. valuation) and instability (i.e. a bid from a major at a high EV/EIO).

9 DISCUSSION

Good management and technical skills

Lincoln have a broad ranging set of skills in their management team, which includes those skills and experiences needed to finance and put into production mid-sized gold operations.

Two projects capable of fast tracking to production

The company has two projects that are on track to become gold producers in the near term – one in Nevada (Pine Grove) as operator and one in Southern California (Oro Cruz) via JV. Both are in mining friendly jurisdictions, in areas with long histories of gold production. Although resources at Oro Cruz are in the inferred categories, little work is required to bring them into measured and indicated; this project in particular has an extensive historical data set that requires minimal validation drilling. Both projects have exploration upside, although we believe that value will be added most quickly by fast tracking towards production at Pine Grove.

Modest drilling on soil geochemistry targets at Pine Grove, away from areas exploited in the 19th century, might well discover a limited amount higher grade ore that could be mined in the early years and so improve project economics – even 20,000 ounces at a higher grade might make a difference and is well worth seeking out prior to mining. Such further resources might also increase potential mine life.

In Mexico, Lincoln's JV partner (Elgin) is set to explore a silver play in a strategic position surrounding an active project owned by Gammon Gold Inc. In the event that exploration starts to outline a bulk tonnage silver resource that proves complementary to Gammon Gold's existing project, then it would be logical to expect the two projects to be combined via a sale.

Modest market capitalisation

Lincoln's market capitalisation is modest, yet large enough to allow us to infer that the market has reasonable confidence in the team and its projects. Value addition in the short term will come from the development of mining plans at Pine Grove into a bankable feasibility study and the anticipated accelerated confirmation drilling, exploration and development at Oro Cruz made possible by Elgin Mining's financial muscle.

10 CONCLUSIONS

- Lincoln Mining has an experienced team and modestly sized, but credible, gold projects in Nevada and Southern California, together with a silver exploration play in Mexico.

- Market capitalisation is on low side of the "main sequence" for a company with projects of this size and resources in the inferred and indicated categories. Both gold projects can advance rapidly.

- Elgin Mining Inc is a well-funded and capable managed joint venture partner.

- Lincoln can add value by producing a feasibility study for Pine Grove after completing further drilling. At Pine Grove,19th century mining activities have removed almost as many ounces as remain in NI43-101 resources. Further exploration (led by surface soil geochemistry surveys that have been undertaken) might well uncover further ounces at a higher grade than the remaining ounces that were either not known or not economic to extract at that time, but which could well improve the economics of the critical first year or two of mining.

- Lincoln's JV partner, Elgin Mining, will contribute to value addition by making available the funds for an accelerated work programme at Oro Cruz which we anticipate will move much of the existing inferred resource rapidly into the measured and indicated categories. This, together with existing knowledge of the metallurgy, will allow the two companies to develop a feasibility study for Oro Cruz, although this may be delayed if there is a desire to expand the resource base first.

- The Oro Cruz project is, we believe, probably capable of being brought into production more rapidly than Pine Grove; investors should take especial note of progress with this project now that the finance for exploration and development is being provided by a well funded and motivated JV partner.

- The Mexican silver exploration play (La Bufa) is likely to be pursued in a more measured manner; an exit through a sale to Gammon Gold Inc is a likely outcome of any success.

- With just C$1m in cash available at the end of December 2010, a further fundraising will be needed to advance the Pine Grove project; other projects should be funded by the JV partner.

- Peer comparison reveals an undervalued stock; the readiness of their projects to be advanced rapidly, suggests a moderate term share price target of 40c.

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