

LINCOLN MINING CORPORATION

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)**

FOR THE THREE MONTHS ENDED MARCH 31, 2011

LINCOLN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	March 31 2011	December 31 2010	January 1 2010
ASSETS			
Current			
Cash	\$ 366,335	\$ 1,137,006	\$ 1,761,227
Receivables (Note 4)	30,923	49,851	28,681
Due from related parties (Note 5)	-	-	66,900
Prepaid expenses and deposits (Note 6)	63,930	53,443	98,454
	<u>461,188</u>	<u>1,240,300</u>	<u>1,955,262</u>
Equipment (Note 7)	16,273	18,857	28,828
Deposits (Note 6)	44,678	44,678	37,684
Mineral properties (Note 8)	<u>2,592,680</u>	<u>2,529,513</u>	<u>63,153</u>
	<u>\$ 3,114,819</u>	<u>\$ 3,833,348</u>	<u>\$ 2,084,927</u>
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities (Note 9)	\$ 185,310	\$ 216,607	\$ 354,275
Notes payable (Note 10)	-	-	52,098
Promissory note (Note 8(a)(iv))	141,381	138,139	-
	<u>326,691</u>	<u>354,746</u>	<u>406,373</u>
Promissory note (Note 8(a)(iv))	212,154	216,691	-
Provisions (Note 11)	63,167	-	-
	<u>602,012</u>	<u>571,437</u>	<u>406,373</u>
Equity			
Share capital (Note 13)	15,652,878	15,636,628	10,263,253
Commitment to issue shares (Note 8(a)(iv))	46,250	46,250	-
Reserves (Note 13)	809,972	719,143	166,687
Deficit	<u>(13,996,293)</u>	<u>(13,140,110)</u>	<u>(8,751,386)</u>
	<u>2,512,807</u>	<u>3,261,911</u>	<u>1,678,554</u>
	<u>\$ 3,114,819</u>	<u>\$ 3,833,348</u>	<u>\$ 2,084,927</u>

Nature and continuance of operations (Note 1)

Commitments (Note 17)

Subsequent events (Note 18)

Approved and authorized by the Board on June 17, 2011.

<u>“Paul Saxton”</u>	Director	<u>“Andrew Milligan”</u>	Director
Paul Saxton		Andrew Milligan	

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

LINCOLN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
EXPLORATION EXPENSES (Note 8)	\$ 303,394	\$ 664,930
ADMINISTRATIVE EXPENSES		
Administrative support	32,835	34,260
Depreciation	2,584	2,863
Consulting fees	105,883	71,408
Gain on foreign exchange	(1,259)	(10,040)
Interest expense	6,839	1,496
Investor relations	83,328	32,092
Management fees	27,189	27,000
Office	58,693	41,481
Professional fees	62,884	35,902
Regulatory and shareholder services	11,109	17,739
Share-based compensation (Note 13(d))	110,126	140,173
Travel and entertainment	72,719	18,499
	<u>876,324</u>	<u>1,077,803</u>
OTHER INCOME (EXPENSES)		
Interest income	844	994
Gain on settlement of debts	-	8,061
	<u>844</u>	<u>9,055</u>
Loss and comprehensive loss for the period	<u>\$ (875,480)</u>	<u>\$ (1,068,748)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>83,227,027</u>	<u>61,054,734</u>

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

LINCOLN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (875,480)	\$ (1,068,748)
Items not affecting cash:		
Depreciation	2,584	2,863
Gain on settlement of debts	-	(8,061)
Share-based compensation	110,126	140,173
Accrued interest expense	6,839	1,496
Unrealized gain – foreign exchange	(8,134)	-
Changes in non-cash working capital items:		
Decrease in receivables	18,928	12,827
Decrease (increase) in prepaids and deposits	(10,487)	1,429
Decrease in accounts payable and accrued liabilities	(31,297)	(139,054)
Net cash used in operating activities	(786,921)	(1,057,075)
CASH FLOWS FROM INVESTING ACTIVITY		
Increase in due from related parties	-	47,496
Net cash provided by investing activity	-	47,496
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of shares for cash	16,250	-
Net cash provided by financing activity	16,250	-
Change in cash for the period	(770,671)	(1,009,579)
Cash, beginning of period	1,137,006	1,761,227
Cash, end of period	\$ 366,335	\$ 751,648
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 16)

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

LINCOLN MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	<u>Capital Stock</u>		Reserves *	Commitment to issue shares	Deficit	Total
	Number	Amount				
Balance at January 1, 2010	58,388,067	\$ 10,263,253	\$ 166,687	\$ -	\$ (8,751,386)	\$ 1,678,554
Issued for:						
Shares issued for mineral property	6,000,000	1,770,000	-	-	-	1,770,000
Share-based compensation	-	-	140,173	-	-	140,173
Loss for the period	-	-	-	-	(1,068,748)	(1,068,748)
Balance at March 31, 2010	64,388,067	\$ 12,033,253	\$ 306,860	\$ -	\$ (9,820,134)	\$ 2,519,979
Balance at December 31, 2010	83,171,916	\$ 15,636,628	\$ 719,143	\$ 46,250	\$ (13,140,110)	\$ 3,261,911
Warrant exercise	65,000	16,250	-	-	-	16,250
Share-based compensation	-	-	110,126	-	-	110,126
Reclassification on expiry of options	-	-	(19,297)	-	19,297	-
Loss for the period	-	-	-	-	(875,480)	(875,480)
Balance at March 31, 2011	83,236,916	\$ 15,652,878	\$ 809,972	\$ 46,250	\$ (13,996,293)	\$ 2,512,807

* Reserves consist entirely of share-based compensation payments.

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

LINCOLN MINING CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2011

1. NATURE AND CONTINUANCE OF OPERATIONS

Lincoln Mining Corporation (the “Company”) is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The Company’s head office, principal address and registered and records office is Suite 350 – 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5.

The recovery of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

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 incurred ongoing losses. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

Statement of Compliance

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s transition date to IFRS was January 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, “First-time adoption of International Financial Reporting Standards”. In preparing the Company’s first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles (“GAAP”). Historical results and balances have been restated under IFRS. These consolidated interim financial statements should be read in conjunction with the Company’s 2010 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 19. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these interim financial statements nor in the Company’s most current annual GAAP financial statements.

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (CONT'D)

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries (Note 12).

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of receivables, valuation and depreciation of equipment and mineral properties, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

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). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized profit or 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.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred 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.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

Mineral properties

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided on a straight line basis over the estimated useful lives as follows: office equipment – five years; computer software – two years; computer equipment – three years; mining equipment – three years and vehicles – four years.

Impairment of tangible and intangible 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.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

The increase in the provision due to the passage of time is recognized as interest expense.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based compensation

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

New standards not yet adopted

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

LINCOLN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

4. RECEIVABLES

The Company's receivables consist of HST/GST receivable due from the government of Canada:

	March 31, 2011	December 31, 2010	January 1, 2010
HST/GST receivable	\$ 30,923	\$ 49,851	\$ 28,681
Total	\$ 30,923	\$ 49,851	\$ 28,681

5. DUE FROM RELATED PARTIES

The Company's due from related parties is as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Advance to directors for escrowed shares	\$ -	\$ -	\$ 66,900
Total	\$ -	\$ -	\$ 66,900

The Company advanced \$81,900 to certain directors and officers to allow them to purchase escrowed common shares of the Company directly from the former escrow shareholders, of which \$66,900 was outstanding as of December 31, 2009. The outstanding balance was subsequently repaid in full during the year-ended December 31, 2010 (see also Note 12).

LINCOLN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE THREE MONTHS ENDED MARCH 31, 2011

6. PREPAID EXPENSES AND DEPOSITS

The Company's current prepaid expenses and deposits are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Prepaid insurance	\$ 19,519	\$ 35,007	\$ 21,997
Advances	3,260	-	8,125
Supplier deposits and retainer fees	41,151	18,436	68,332
Total	\$ 63,930	\$ 53,443	\$ 98,454

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

	March 31, 2011	December 31, 2010	January 1, 2010
Premises lease deposit	\$ 15,928	\$ 15,928	\$ 8,934
Restricted short-term investment	28,750	28,750	28,750
Total	\$ 44,678	\$ 44,678	\$ 37,684

7. EQUIPMENT

	Computer equipment	Computer software	Mining equipment	Office equipment	Vehicles	Total
Cost						
Balance, January 1, 2010	\$ 8,746	\$ 1,345	\$ 11,804	\$ 5,400	\$ 22,211	\$ 49,506
Additions	1,154	-	-	-	-	1,154
Balance, December 31, 2010	9,900	1,345	11,804	5,400	22,211	50,660
Balance, March 31, 2011	\$ 9,900	\$ 1,345	\$ 11,804	\$ 5,400	\$ 22,211	\$ 50,660
Accumulated depreciation						
Balance, January 1, 2010	\$ 6,826	\$ 1,345	\$ 7,028	\$ 3,628	\$ 1,851	\$ 20,678
Depreciation	1,354	-	3,599	619	5,553	11,125
Balance, December 31, 2010	8,180	1,345	10,627	4,247	7,404	31,803
Depreciation	191	-	900	105	1,388	2,584
Balance, March 31, 2011	\$ 8,371	\$ 1,345	\$ 11,527	\$ 4,352	\$ 8,792	\$ 34,387
Carrying amounts						
As at December 31, 2010	\$ 1,720	\$ -	\$ 1,177	\$ 1,153	\$ 14,807	\$ 18,857
As a March 31, 2011	\$ 1,529	\$ -	\$ 277	\$ 1,048	\$ 13,419	\$ 16,273

LINCOLN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE THREE MONTHS ENDED MARCH 31, 2011

8. MINERAL PROPERTIES

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

	Mexico		United States	
	La Bufa	Pine Grove		Total
Mineral properties				
Balance, January 1, 2010	\$ 63,153	\$ -	\$ 63,153	
Acquisition costs capitalized during the period (see (c) and (a)(iv) below)	1,770,000	696,360	2,466,360	
Balance, December 31, 2010	1,833,153	696,360	2,529,513	
Provision for environmental rehabilitation (Note 11)	-	63,167	63,167	
Balance, March 31, 2011	\$ 1,833,153	\$ 759,527	\$ 2,592,680	

During the period ended March 31, 2011, the Company incurred exploration expenditures as follows:

	United States			Mexico	
	Pine Grove	Oro Cruz	Other	La Bufa	Total
Exploration and related expenditures					
Option, lease and advance royalty payments	\$ -	\$ 49,695	\$ -	\$ -	\$ 49,695
Contractors	32,252	1,984	7,577	65,188	107,001
Drilling and metallurgical	12,115	-	-	-	12,115
Field supplies	22	44	93	2,955	3,114
General administration	-	-	-	10,421	10,421
Geochemistry	-	-	-	958	958
Land maintenance	-	11,999	-	8,749	20,748
Permitting environment	5,623	1,236	-	-	6,859
Property evaluations	56,407	17,718	-	-	74,125
Surveying	1,336	-	-	9,000	10,336
Travel and accommodation	-	-	-	7,721	7,721
Vehicle operating	301	-	-	-	301
Total mineral property expenditures	\$ 108,056	\$ 82,676	\$ 7,670	\$ 104,992	\$ 303,394

During the period ended March 31, 2010, the Company incurred exploration expenditures as follows:

	United States			Mexico	
	Hannah	Pine Grove	Oro Cruz	La Bufa	Total
Exploration and related expenditures					
Option, lease and advance royalty payments	\$ -	\$ -	\$ 52,630	\$ -	\$ 52,630
Claimstaking	-	-	901	-	901
Contractors	426	1,465	42,521	59,353	103,765
Drilling and metallurgical	-	339,776	-	-	339,776
Field supplies	-	2,016	1,428	-	3,444
General administration	-	-	-	7,501	7,501
Geochemistry	-	-	-	2,077	2,077
Land maintenance	254	-	14,351	9,280	23,885
Permitting environment	-	126	17,953	-	18,079
Property evaluations	-	8,768	6,026	-	14,794
Surveying	-	6,606	122	75,381	82,109
Travel and accommodation	-	60	9,782	5,390	15,232
Vehicle operating	-	737	-	-	737
Total mineral property expenditures	\$ 680	\$ 359,554	\$145,714	\$ 158,982	\$ 664,930

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.

8 MINERAL PROPERTIES (CONT'D)

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 has been 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, 2 and 3 paid)

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

8. MINERAL PROPERTIES (CONT'D)

(a) Pine Grove Property, Nevada (cont'd)

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

The following lease payments must be made by the Company:

- US\$10,000 upon signing the agreement (paid) and
- US\$25,000 prior to each one year anniversary of the lease (Years 1, 2 and 3 paid).

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

The following work commitments must be made by the Company:

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

Upon commencement of production the Company must pay an NSR of 3% - 7% based on gold prices. Lyon Grove retains the right to require the Company to purchase the property any time after the Company has made application to permit and develop a mine on the property, subject to the Company's continued obligation to pay the royalties, for US\$1,000.

In July 2010, the Company entered into an amending lease agreement ("Amending Agreement") with Lyon Grove LLC on its Wilson Property. The Amending Agreement, amongst other things, changes the sliding scale NSR of 3 - 7% currently applicable in respect of any future production from the Wilson Property, to a fixed NSR at a reduced rate of 2.5%. In addition, the fixed 5% NSR in the area of interest will apply only to unpatented lode claims staked by the Company and will exempt various other claims acquired by the Company. As consideration for the royalty reduction, Lyon Grove was paid US\$150,000 cash and issued 500,000 common shares of the Company at a value of \$90,000 and is to be paid an additional US\$150,000 within one year thereafter.

- 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 10 unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors will receive a total of US\$650,000 and 400,000 common shares of the Company as follows:

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

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8. MINERAL PROPERTIES (CONT'D)**(a) Pine Grove Property, Nevada (cont'd)**

iv) (cont'd)

A US\$400,000 promissory note has been issued for the aforementioned remaining cash payments required, non-interest bearing, except in the event of default, in which case the rate of interest shall be eight percent per annum until payment is made. The promissory note is secured by the Cavanaugh property. The fair value of the promissory note on the date of issuance was \$361,685 (US\$346,873), which was calculated using a discount rate of 8%. The Company's commitment to issue the remaining shares have been valued at \$0.185 per share totalling \$46,250. As a result of the purchase agreement, \$696,360 has been capitalized as mineral property acquisition costs as at December 31, 2010.

The promissory note is summarized as follows:

	March 31, 2011	December 31, 2011
Value at issuance	\$ 361,685	\$ 361,685
Accretion interest	16,849	10,010
Changes in exchange rates	(24,999)	(16,865)
	<u>353,535</u>	<u>354,830</u>
Less: current portion	(141,381)	(138,139)
	<u>\$ 212,154</u>	<u>\$ 216,691</u>

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. The balance of the payments indicated above following closing will be secured against the Cavanaugh property.

(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 \$200,000 US per year on the 7th 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
- US\$75,000 by February 22, 2013
- US\$100,000 by February 22, 2014
- US\$100,000 by February 22, 2015
- US\$150,000 by February 22, 2016
- US\$200,000 by February 22, 2017 and each subsequent anniversary of the effective date

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

8. MINERAL PROPERTIES (CONT'D)

(b) Oro Cruz Property, California (cont'd)

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
- US\$300,000 during the third lease year
- US\$350,000 during the fourth lease year
- US\$400,000 during the fifth lease year
- US\$450,000 during the sixth lease year
- US\$500,000 during the seventh lease year

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

Mexico

(c) La Bufa Property, Chihuahua

In August 2005, the Company entered into a Letter of Intent with Almaden Minerals Ltd. ("Almaden") to form a joint venture for the exploration and development of the La Bufa property, located in Chihuahua, Mexico. Under the Letter of Intent, the Company may acquire a 51% interest in the La Bufa property by spending US\$2,000,000 on the property over four years and by issuing 350,000 shares of the Company to Almaden over a five year period (50,000 shares issued at a value of US\$10,000 on March 15, 2006). The Company issued 60,000 shares, valued at US\$9,600 on April 16, 2007.

In April 2007, the Company entered into an option agreement with Almaden to acquire a 60% interest in the La Bufa property, which replaced the prior Letter of Intent. The agreement called for the Company to undertake a work program on the property aggregating US\$3,500,000 and issuing an aggregate of 1,550,000 shares (550,000 shares issued to December 31, 2009) on or before April 12, 2011.

In November 2009, the Company reached an agreement with Almaden to purchase 100% of the La Bufa property. In February 2010, the Company concluded the agreement to purchase 100% of the La Bufa property. The agreement supercedes all prior agreements with Almaden. The Company purchased the 100% interest by issuing 6,000,000 common shares, valued at \$1,770,000, to Almaden and granting a 2% NSR on all future production from La Bufa. The \$1,770,000 was capitalized as mineral property acquisition costs as at December 31, 2010. The Company has the option to buy down 1% of the NSR within one year following the decision to place the property into production, for a price to be determined at that time.

El Chapito

In September 2009, the Company entered into a purchase and sale agreement to acquire certain claims located contiguous to the La Bufa property for US\$60,000, of which US\$55,000 was paid on execution of the agreement and the remainder was paid on completion of the conveyance of title. The claims are considered to be included in the La Bufa property. The US\$60,000 (\$63,153) was capitalized as mineral property acquisition costs during the year ended December 31, 2009.

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8. MINERAL PROPERTIES (CONT'D)

Mexico

(c) La Bufa Property, Chihuahua (cont'd)

On March 31, 2011, the Company entered into an option agreement (the "Agreement") granting Elgin Mining Inc. ("Elgin") the option to acquire up to a 60% undivided interest in each of Lincoln's Oro Cruz and La Bufa properties (collectively the "Properties" and individually a "Property") by funding expenditures totalling \$10,000,000 over a maximum four year period. Pursuant to the Agreement, Elgin shall as a binding commitment (the "Initial Exploration Commitment") fund an initial aggregate amount of \$4,000,000 in exploration expenditures on the Properties (\$3,000,000 on Oro Cruz and \$1,000,000 on La Bufa) over a period of up to two years from the date of the Agreement prior to earning any interest in the Properties. If within two years, Elgin fails to fund at least \$1,000,000 in respect of a Property, Elgin shall acquire no interest in that Property. The parties have agreed to negotiate and enter into a formal option and joint venture agreement, based on the terms of the Agreement, following Elgin's completion of the Initial Exploration Commitment. The Company will continue to be the operator of the Properties until such time as Elgin has earned a greater than 50% interest in a Property, at which time Elgin will be entitled to be the operator of such Property. The Company has received US\$1,000,000 to date from Elgin pursuant to this agreement.

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	\$ 163,810	\$ 175,107	\$ 312,275
Accrued liabilities	21,500	41,500	42,000
Total	\$ 185,310	\$ 216,607	\$ 354,275

10. NOTES PAYABLE

The Company's notes payable are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Notes payable	\$ -	\$ -	\$ 52,098
Total	\$ -	\$ -	\$ 52,098

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10. NOTES PAYABLE (CONT'D)

In May 2009, the Company received loan proceeds of \$50,000 from two individuals bearing an interest rate of 8% per annum. As at December 31, 2010, the loans plus accrued interest totaling \$54,931 was fully repaid by the Company.

11. PROVISIONS

The Company's provision consists of a provision for environmental rehabilitation relating to its Pine Grove Property, which will require future cleanup costs estimated to be approximately US\$80,000. The cleanup would be expected at the end of the expected useful life of the property. The present value of the provision was calculated using a life of 15 years, inflation rate of 3% and a risk-free rate of 4.4%:

	March 31, 2011	December 31, 2010	January 1, 2010
Provision for environmental rehabilitation	\$ 63,167	\$ -	\$ -
Total	\$ 63,167	\$ -	\$ -

12. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Lincoln Mining Corporation and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Lincoln Gold Corporation	Canada	100%	Holding Company
Lincoln Gold US Corporation	United States	100%	Mineral exploration
Minera Lincoln de Mexico, S.A. de C.V.	Mexico	100%	Mineral exploration

The Company entered into the following transactions with related parties:

During the three months ended March 31, 2011 and March 31, 2010, the Company paid or accrued director fees of \$12,000 (2010 - \$9,000) to directors and a company owned by a director of the Company, management fees of \$27,000 (2010 - \$27,000) to a company owned by the President of the Company, exploration fees of \$26,903 (2010 - \$25,390) to the Vice President of Exploration of the Company, and consulting fees of \$62,383 (2009 - \$30,000) to the CFO, Vice President of Operations of the Company and a company owned by a director of the Company.

As at March 31, 2011, the Company owed \$15,420 (December 31, 2010 - \$13,143) (January 1, 2010 - \$2,000) to the VP of Exploration, Vice President of Operations, and various directors, which is included in accounts payable. See Note 5 for details on advances to directors for escrowed shares.

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12. RELATED PARTY TRANSACTIONS (CONT'D)

The remuneration of directors and key management personnel during the three months ended March 31, 2011 and 2010 are as follows:

	2011	2010
Directors fees	\$ 12,000	\$ 9,000
Management fees	27,000	27,000
Exploration fees	26,903	25,390
Consulting fees	62,383	30,000
Share-based compensation (i)	69,462	94,852
	\$ 197,748	\$ 186,242

(i) Share-based compensation is the fair value of options granted to key management personnel.

13. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at March 31, 2011, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

b) Issued share capital:

During the three months ended March 31, 2011, 65,000 warrants were exercised at \$0.25 per warrant for gross proceeds of \$16,250.

c) Stock options

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

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13. SHARE CAPITAL AND RESERVES

c) Stock options (cont'd)

As at March 31, 2011, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
150,000	\$ 0.19	December 14, 2011
100,000	0.19	December 15, 2011
250,000	0.26	January 31, 2012
100,000	0.35	July 5, 2012
4,050,000	0.19	September 29, 2014
300,000	0.29	January 28, 2015
1,050,000	0.29	March 3, 2015
700,000	0.22	June 4, 2015
925,000	0.19	December 15, 2015
125,000	0.21	December 20, 2015
<u>7,750,000</u>		

Stock option transactions are summarized as follows:

	Three months ended March 31, 2011	
	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	7,750,000	\$0.22
Granted	250,000	0.26
Expired	(250,000)	0.29
Balance, end of period	<u>7,750,000</u>	<u>0.21</u>
Options exercisable, end of period	<u>4,706,250</u>	<u>\$0.21</u>

d) Options – Share-based compensation

During the three months ended March 31, 2011, the Company granted 250,000 (March 31, 2010 – 1,600,000) stock options with a fair value of \$0.07 (March 31, 2010 - \$0.15) per option. During the three months ended March 31, 2011, 250,000 (March 31, 2010 – nil) options expired unexercised. The Company recorded \$110,126 (March 31, 2010 - \$140,173) as share-based compensation for options vested during the three months ended March 31, 2011.

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13. SHARE CAPITAL AND RESERVES (CONT'D)

d) Options – Share-based compensation (cont'd)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the three months ended March 31, 2011 and March 31, 2010:

	2011	2010
Risk-free interest rate	1.67%	2.00%
Expected life of options	0.80 years	3.5 years
Forfeiture rate	1.82%	5.74%
Annualized volatility	75.00%	75.00%
Dividend rate	0.00%	0.00%

e) Warrants

As at March 31, 2011, the Company had outstanding warrants, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
14,562,531	\$ 0.25	August 18, 2011
10,209,338	0.35	June 1, 2012
<u>24,771,869</u>		

Warrant transactions are summarized as follows:

	Three months ended March 31, 2011	
	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	24,836,869	\$ 0.29
Exercised	(65,000)	0.25
<u>Balance, end of period</u>	<u>24,771,869</u>	<u>\$ 0.29</u>

In January 2011, 65,000 warrants were exercised at \$0.25 per warrant.

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14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information is as follows:

	Mar 31, 2011	Dec 31, 2010
Non-current assets:		
Mexico	\$ 1,833,431	\$ 1,834,330
United States	773,460	711,717
Canada	46,740	47,001
	<u>2,653,631</u>	<u>2,593,048</u>

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

Fair value

The carrying value of receivables, due from related parties, accounts payable, accrued liabilities, notes payable and promissory note approximated their fair value because of the relatively short-term nature of these instruments. Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs.

Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos. At March 31, 2011, the Company had a net monetary asset position of US\$115,628 and its net monetary position denominated in Mexican pesos are negligible. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of \$11,237. The Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST/HST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

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

Liquidity risk

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

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D)

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.

Capital management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors do 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 an interest 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. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing and financing transactions during the period ended March 31, 2011.

The significant non-cash investing and financing transactions during the period ended March 31, 2010 consisted of the Company issuing 6,000,000 common shares valued at \$1,770,000 pursuant to the La Bufa agreement (Note 8(c)).

17. COMMITMENTS

In addition to commitments disclosed elsewhere in the financial statements:

- a) Pursuant to a premises lease, the Company's minimum annual commitments as at March 31, 2011 are as follows:

2011 - \$40,390
2012 - \$53,853
2013 - \$56,948
2014 - \$57,567
2015 - \$ 9,595

- b) The Company, in the normal course of business has entered into five employee and consulting agreements expiring in 2014, for the Company's key management positions. The agreements provide for additional payments in the event of severance or change in control.

18. SUBSEQUENT EVENTS

- a) The Company granted 125,000 options with an exercise price of \$0.23, expiring in two years.
- b) On June 14, 2011, the Company issued a total of 5,556,177 units at a price of \$0.17 per unit ("Units") for total proceeds of \$944,550 in connection with the first tranche of a non-brokered private placement. Each Unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.35 per share until June 14, 2013. On June 16, 2011, the Company issued a total of 530,000 units at a price of \$0.17 per unit for total proceeds of \$90,100 in connection with the second and final tranche of the non-brokered private placement. Each Unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.35 per share until June 16, 2013.

As compensation, qualified persons acting as finders in connection with the private placement ("Finders") received a cash commission of 7% of the proceeds raised and non-transferable warrants ("Finders Warrants") equal to 7% of the total number of Units sold to persons introduced to the Company by the Finder. Each such warrant entitles the holder to acquire one common share of the Company at a price of \$0.35 per share until June 14, 2013. At the closing of the private placement, the Company issued a total of 332,500 Finders Warrants and paid a total of \$56,525 in cash commissions.

19. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are for the period covered by the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated financial statements for the period ended March 31, 2011 and 2010, the consolidated financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;
- b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its GAAP estimates for the same date.

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19. FIRST TIME ADOPTION OF IFRS (CONT'D)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at January 1, 2010 (date of transition to IFRS) is provided below:

	Note	January 1, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 1,761,227	\$ -	\$ 1,761,227
Receivables		28,681	-	28,681
Due from related parties		66,900	-	66,900
Prepaid expenses and deposits		98,454	-	98,454
		1,955,262	-	1,955,262
Mineral properties		63,153	-	63,153
Equipment		28,828	-	28,828
Deposits		37,684	-	37,684
		\$ 2,084,927	\$ -	\$ 2,084,927
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 354,275	\$ -	\$ 354,275
Notes payable		52,098	-	52,098
		406,373	-	406,373
Shareholders' equity				
Share capital	(b)	10,260,774	2,479	10,263,253
Reserves	(b)	1,836,778	(1,670,091)	166,687
Accumulated other comprehensive loss	(c)	(12,990)	12,990	-
Deficit	(b), (c)	(10,406,008)	1,654,622	(8,751,386)
		1,678,554	-	1,678,554
		\$ 2,084,927	\$ -	\$ 2,084,927

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19. FIRST TIME ADOPTION OF IFRS (CONT'D)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at March 31, 2010 is provided below:

	Note	March 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 751,648	\$ -	\$ 751,648
Receivables		15,854	-	15,854
Due from related parties		19,404	-	19,404
Prepaid expenses and deposits		90,031	-	90,031
		876,937	-	876,937
Mineral properties		1,833,153	-	1,833,153
Equipment		25,965	-	25,965
Deposits		44,678	-	44,678
		\$ 2,780,733	\$ -	\$ 2,780,733
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 207,160	\$ -	\$ 207,160
Notes payable		53,594	-	53,594
		260,754	-	260,754
Shareholders' equity				
Share capital	(b)	12,030,774	2,479	12,033,253
Reserves	(b)	1,976,951	(1,670,091)	306,860
Accumulated other comprehensive loss	(c)	(12,990)	12,990	-
Deficit	(b), (c)	(11,474,756)	1,654,622	(9,820,134)
		2,519,979	-	2,519,979
		\$ 2,780,733	\$ -	\$ 2,780,733

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19. FIRST TIME ADOPTION OF IFRS (CONT'D)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at December 31, 2010 is provided below:

	Note	December 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 1,137,006	\$ -	\$ 1,137,006
Receivables		49,851	-	49,851
Prepaid expenses and deposits		53,443	-	53,443
		1,240,300	-	1,240,300
Mineral properties	(a)	3,019,713	(490,200)	2,529,513
Equipment		18,857	-	18,857
Deposits		44,678	-	44,678
		\$ 4,323,548	\$ (490,200)	\$ 3,833,348
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 216,607	\$ -	\$ 216,607
Promissory note		138,139	-	138,139
		354,746	-	354,746
Promissory note		216,691	-	216,691
Future income tax liability	(a)	490,200	(490,200)	-
		1,061,637	(490,200)	571,437
Shareholders' equity				
Share capital	(b)	15,634,149	2,479	15,636,628
Commitment to issue shares		46,250	-	46,250
Reserves	(b)	2,404,549	(1,685,406)	719,143
Accumulated other comprehensive loss	(c)	(12,990)	12,990	-
Deficit	(b), (c)	(14,810,047)	1,669,937	(13,140,110)
		3,261,911	-	3,261,911
		\$ 4,323,548	\$ (490,200)	\$ 3,833,348

LINCOLN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

19. FIRST TIME ADOPTION OF IFRS (CONT'D)

The reconciliation between GAAP and IFRS comprehensive loss for the three months ended March 31, 2010, and the year ended December 31, 2010 is provided below.

	Three Months Ended March 31, 2010		
Note	GAAP	Effect of transition to IFRS	IFRS
EXPLORATION EXPENSES	\$ 664,930	\$ -	\$ 664,930
EXPENSES			
Administrative support	34,260	-	34,260
Amortization	2,863	-	2,863
Consulting fees	71,408	-	71,408
Foreign exchange	(10,040)	-	(10,040)
Interest expense	1,496	-	1,496
Investor relations	32,092	-	32,092
Management fees	27,000	-	27,000
Office	41,481	-	41,481
Professional fees	35,902	-	35,902
Regulatory and shareholder services	17,739	-	17,739
Share-based compensation	140,173	-	140,173
Travel and entertainment	18,499	-	18,499
LOSS BEFORE OTHER ITEMS	(1,077,803)	-	(1,077,803)
OTHER ITEMS			
Interest income	994	-	994
Gain on settlement of debt	8,061	-	8,061
	9,055	-	9,055
Loss and comprehensive loss for the period	\$ (1,068,748)	\$ -	\$ (1,068,748)

LINCOLN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

19. FIRST TIME ADOPTION OF IFRS (CONT'D)

	Year Ended December 31, 2010			
	Note	GAAP	Effect of transition to IFRS	IFRS
EXPLORATION EXPENSES		\$ 2,394,252	\$ -	\$ 2,394,252
EXPENSES				
Administrative support		140,600	-	140,600
Amortization		11,125	-	11,125
Consulting fees		406,882	-	406,882
Foreign exchange		10,034	-	10,034
Interest expense		12,843	-	12,843
Investor relations		261,823	-	261,823
Management fees		108,000	-	108,000
Office		212,959	-	212,959
Professional fees		167,075	-	167,075
Regulatory and shareholder services		40,509	-	40,509
Share-based compensation		508,755	-	508,755
Travel and entertainment		144,725	-	144,725
LOSS BEFORE OTHER ITEMS		<u>(4,419,582)</u>	-	<u>(4,419,582)</u>
OTHER ITEMS				
Interest income		7,482	-	7,482
Gain on settlement of debt		8,061	-	8,061
		<u>15,543</u>	-	<u>15,543</u>
Loss and comprehensive loss for the year		<u>\$ (4,404,039)</u>	\$ -	<u>\$ (4,404,039)</u>

There are no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the period ended March 31, 2010 or the year ended December 31, 2010.

19. FIRST TIME ADOPTION OF IFRS (CONT'D)

a) Deferred tax on mineral properties

Under GAAP, the Company recognized a future income tax liability of \$490,200 and related mineral property costs arising on the acquisition of the La Bufa Property interest (see Note 8(c)), where the fair value of the asset acquired exceeded its tax basis, in a transaction which was not a business combination and affected neither accounting profit (loss) nor taxable profit (loss). IAS 12, Income Taxes ("IAS 12"), does not permit the recognition of deferred taxes on such transactions.

As of January 1, 2010 and December 31, 2010, the Company derecognized the impacts of all deferred taxes which had previously been recognized on the initial acquisition of mineral properties through transactions not considered business combinations and affecting neither accounting profit (loss) nor taxable profit (loss).

b) Reclassification with equity section

Under GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Under adoption of IFRS, the balances in these accounts have been reclassified to "Reserves" and additionally, the Company has reclassified amounts relating to forfeited and expired options and warrants back into deficit or share capital where they were originally recorded.

c) Foreign currency translation

Under IFRS 1, as of January 1, 2010, the Company has elected to transfer all foreign currency translation differences, recognized as a separate component of equity to deficit. In turn, the Company has reclassified the amount in accumulated other comprehensive loss of \$12,990 to deficit.



FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF JUNE 17, 2011 TO ACCOMPANY THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE FIRST QUARTER ENDED MARCH 31, 2011.

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2011, which are prepared in accordance with International Financial Reporting Standards ("IFRS"), and the audited consolidated financial statements of the Company for the year ended December 31, 2010, which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and the notes thereto. 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. See additional comments and discussion under "Risks and Uncertainties" in this MD&A.

Overview of First Quarter 2011

The first quarter was again a positive one for Lincoln and there is good news and progress at each of the Company's three projects.

At the Pine Grove project, the Company upgraded its gold resources. Combined Indicated and Measured resources for the Wheeler and Wilson deposits are reported at 177,000 ounces gold contained in 5,316,000 tons, grading 0.033 opt gold. In addition, Inferred resources are reported at 115,000 ounces gold contained in 4,136,000 tons grading 0.028 opt gold, both at a 0.010 opt gold cutoff grade.

The Company will continue to advance the Pine Grove gold project in 2011, including conducting an economic assessment and completing the permitting process. Recent pit designs, prepared by Mintec, Inc. of Tuscon, Arizona, on resource areas have been encouraging and also support the Company's decision to continue exploration of various targets by drilling and by developing new targets through soil sampling. The Company continues with its permitting work with the help of JBR Environmental Consultants, Inc. of Reno, Nevada. Additional metallurgical work is planned to begin shortly, including the investigation of high-grade ore recovery system along with additional heap leach recovery confirmation.

For the Oro Cruz and La Bufa projects, the Company and Elgin Mining Inc. ("Elgin") jointly announced on March 31, 2011 that they have entered into an option agreement granting Elgin the exclusive right and option to acquire up to a 60% undivided interest in each of Lincoln's Oro Cruz and La Bufa properties by funding expenditures totaling up to \$10,000,000 over a maximum four year period. It is important to note that of the

LINCOLN MINING CORPORATION

\$10,000,000, \$4,000,000 is committed and must be spent in order for Elgin to earn the right to gain an interest in the projects.

As a result of Elgin's investment and with continued exploration success, we anticipate Lincoln will emerge as a stronger presence in the junior gold market.

More specifically, at the Oro Cruz property, which has a previously announced Inferred gold resource of 341,800 ounces, the Company believes the Oro Cruz has near-term production potential and is currently applying for permits to conduct additional drilling.

At the La Bufa project, the Company announced on June 3, 2011 that it was granted permission from the Ministry of Environmental and Natural Resources, Semarnat, (Secretaria de Medio Ambiente y Recursos Naturales), to carry out its planned 5,000 meter drill program. Lincoln has contracted Perforaciones Corebeil SA de CV of Mazatlan to carry out the drilling, which is expected to start by the end of June. Road and pad construction is underway at this time.

The Company will continue to develop its exploration strategies with a view to maximizing shareholder value and focusing on its long term goal to building Lincoln Mining into a mid-tier gold producer.

The Company's immediate objective is to become a precious metals producer within two years with increasing production each year after that.

On June 14, 2011, the Company announced it had closed the first tranche of a non-brokered private placement of 5,556,177 units for total proceeds of \$944,550 and on June 16, 2011, the Company closed the second and final tranche of 530,000 units for total proceeds of \$90,100, bringing the total funds raised to \$1,034,650 (see "Liquidity and Solvency" for more details). These funds will assist in the Company's exploration and general corporate programs.

On May 17, 2011, the Company announced that it had appointed Mr. Robert Elton and Mr. Robert Cruickshank as directors of the Company.

Mr. Elton currently serves as Executive Chair of Powertech Labs and Advisor to the Board of Directors of BC Hydro. He was former President and CEO of BC Hydro for six years and prior to that, he had various senior executive positions including Chief Financial Officer of Eldorado Gold Corporation 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.

Mr. Cruickshank served as 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 currently serves as a director of Vendtek Systems Inc. a TSX Venture Exchange 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.

The Company believes the diverse executive management experience of Messrs. Elton and Cruickshank will be a significant asset to the Company as we develop strategies aimed at progressing our exploration properties to more advanced stages of project development.

The Company also reports that Mr. Marc LeBlanc has resigned from his position as director but will remain with the Company as a consultant until December 31, 2011 to assist with the Company's corporate development strategies. "The Company greatly appreciates Mr. LeBlanc's contribution and service to the Company over the past several years and is pleased to continue working with him as a consultant".

Overall Performance and Description of Business

Lincoln is an exploration stage company located at Suite 350 – 885 Dunsmuir Street, Vancouver, BC, V6C 1N5, engaged in the acquisition, exploration and development of mineral properties in the states of Nevada and California, United States and Mexico. The Company is a reporting issuer in British Columbia and Alberta. Lincoln Mining Corporation is a British Columbia corporation.

This is now the tenth year of exploration for the Company. In general, exploration activities have resulted in the acquisition of three important projects, the Pine Grove Property in Nevada, U.S.A., the Oro Cruz Property in California, U.S.A. and the La Bufa Property in Chihuahua, Mexico. The Company's main performance activities in the first quarter were advancing its three projects (see "Project Summaries and Activities" for greater detail).

Results of Operations

Results of Operations – For the quarter ended March 31, 2011

For the quarter ended March 31, 2011, the Company incurred a loss of \$875,480 (2010: \$1,068,748). Significant expenses included exploration expenses of \$303,394 (2010: \$664,930); consulting fees of \$105,883 (2010: \$71,408) (see also "Related Party Transactions"); investor relations costs of \$83,328 (2010: \$32,092); travel and related costs of \$72,719 (2010: \$18,499); professional fees of \$62,884 (2010: \$35,902) and share-based compensation of \$110,126 (2010 - \$140,173).

The overall objective of the first quarter was to advance all three of its projects, which was accomplished through its exploration and consulting expenditures.

The Company was also able to expend funds to inform shareholders and the investment community about the operating activities, results and opportunities of Lincoln.

Summary of Quarterly Results:

2011 Quarterly Results:	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	IFRS	IFRS	IFRS	IFRS
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	-	-	-	(875,480)
Basic and diluted loss per share	-	-	-	(0.01)
Total assets	-	-	-	3,114,819
Working capital	-	-	-	134,497
2010 Quarterly Results:	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	IFRS	IFRS	IFRS	IFRS
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	(1,077,860)	(1,367,925)	(889,506)	(1,068,748)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.02)
Total assets	3,833,348	4,775,327	5,526,817	2,780,733
Working capital	885,554	1,851,075	3,411,213	616,183
2009 Quarterly Results:	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	Canadian	Canadian	Canadian	Canadian
	GAAP	GAAP	GAAP	GAAP
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(1,037,098)	(730,894)	(156,692)	(219,131)
Basic and diluted loss per share	(0.04)	(0.02)	(0.00)	(0.00)
Total assets	2,084,927	3,052,422	204,025	229,139
Working capital (deficiency)	1,548,889	2,421,226	(2,884,842)	(2,735,505)

* No exercise or conversion is assumed during the years in which a net loss is incurred, as the effect is anti-dilutive.

** There are no adjustments to loss and comprehensive loss resulting from conversion to IFRS from Canadian GAAP.

Project Summaries and Activities

UNITED STATES

Pine Grove Gold Property, Lyon County, Nevada

Pine Grove is the Company's most advanced property. The property consists of the Wheeler gold deposit and the nearby Wilson gold deposit with immediate exploration potential on intervening and surrounding ground. The Company intends to develop additional resources and advance the project to production.

The Pine Grove gold property is located in the Pine Grove Hills, approximately 20 miles south of the town of Yerington, Nevada. Access is excellent from Yerington via State Highway 208 (paved) southward to the East Walker Road (gravel) and then southward to the Pine Grove Mine Road turnoff and then 4 miles westward on a Forest Service dirt road to the property.

Pursuant to an agreement dated July 13, 2007, Lincoln entered into a mining lease with the Wheeler Mining Company, owner of the Wheeler patented lode claims and millsite (private parcels). The lease has a 15 year term with an option to extend the lease for each subsequent year that the parcels are in commercial production. The terms of the agreement include advance royalty payments of US\$10,000 in the first year and US\$30,000 per year in subsequent years and a sliding-scale NSR ranging from 3% at a gold price of US\$450 per oz to 7% at a gold price of US\$701 per oz. Under the terms of this agreement, Lincoln is obligated to deliver a feasibility study by December 31, 2010, which has been extended as new technical data are developed.

Pursuant to an agreement dated July 25, 2007, Lincoln purchased from Harold Votipka, the Harvest lode claim, the Winter Harvest lode claim, and the Harvest Fraction lode claim. The purchase price was US\$12,000 and includes a 5% NSR. The Company retains the right to buy down up to 2.5% of the NSR at any time for US\$100,000 per percentage point.

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

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

In addition to the aforementioned leases and purchases, Lincoln now has located 221 unpatented lode claims in the names of LGUS 1 through 189, LGUS 219 through 221, and LG 190 through 218. Also, Lincoln has located nine placer claims in the Pine Grove drainage which cover various placer gold ground, historic placer

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workings, and gold-bearing mine dumps and tailings. Lincoln controls approximately 7 square miles comprising the entire Pine Grove mining district.

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

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

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

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

On March 18, 2011, the Company announced an updated technical report on the Pine Grove Property. The report disclosed combined indicated resources at 177,000 ozs of gold and a further 115,000 ozs of gold in the inferred category. The cut-off grade used for this report was 0.010 opt.

Additional reverse-circulation drilling is planned on the Wilson patented claims. Drill pads have been constructed for 15 holes and drilling has been approved by the State of Nevada. Permitting is in progress to drill three targets (WS-17, WS-6, and Wheeler West) on ground administered by the US Forest Service. Reclamation bonding will be required on both State and Forest Service ground.

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

Two 8-inch column-leach tests and three 4-inch column-leach tests were begun in February 2010 at McClelland Laboratories in Sparks, Nevada. Test results were reported in September 2010. Results of material crushed to -1 ¼ inch had marginal results. However, leach results on -3/8 material were positive as shown in the table below.

Pine Grove Column-Leach Test Results

Deposit	Crush Size (Inches - P80)	Calculated Head (opt gold)	Leach Time (days)	Recovery (percent)
Wilson	-3/8	0.064	164	62.5
Wheeler (shallow)	-3/8	0.080	146	85.0
Wheeler	-3/8	0.048	166	87.5

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In addition to the column-leach tests, the Company conducted 39 bottle-roll tests on -10 mesh material from 10-ft composites collected from mineralized zones in the Wheeler and Wilson deposits. This work was conducted to help determine the leaching characteristics of gold mineralization hosted at various levels in the deposits. Results are shown in the table below.

Bottle-Roll Results – Wheeler Deposit

Wheeler Holes 10-ft Composites	Percent Gold Recovery (%)
WR-105 (55 to 65 ft)	93.6
WR-106 (30 to 40 ft)	78.0
WR-106 (80 to 90 ft)	84.6
WR-106 (140-150 ft)	57.6
WR-108 (115-120 ft)	61.7
WR-110 (45 to 55 ft)	59.6
WR-110 (55 to 65)	65.5
WR-111 (175 to 185 ft)	60.9
WR-113 (115 to 125 ft)	56.1
WR-116 (15 to 25 ft)	86.2
WR-116 (50 to 60 ft)	85.0
WR-118 (25 to 35 ft)	55.0
WR-118 (115 to 125 ft)	74.4
WR-118 (150 to 160 ft)	58.8
WR-118 (210 to 220 ft)	79.1
WR-118 (220 to 230 ft)	78.6
WR-119 (30 to 40 ft)	78.9
WR-119 (55 to 65 ft)	79.3

Bottle-Roll Results – Wilson Deposit

Wheeler Holes 10-ft Composites	Percent Gold Recovery (%)
WL-63 (180 to 190 ft)	77.3
WL-66 (125 to 135 ft)	59.1
WL-66 (145 to 155 ft)	44.6
WL-85 (155 to 165 ft)	60.2
WL-87 (85 to 95 ft)	55.6
WL-90 (90 to 100 ft)	60.0
WL-91 (140 to 150 ft)	76.9
WL-92 (90 to 100 ft)	79.6
WL-92 (155 to 165 ft)	57.5
WL-93 (75 to 85 ft)	72.2
WL-93 (90 to 100 ft)	63.6
WL-94 (140 to 150 ft)	66.7
WL-98 (135 to 145 ft)	78.4
WL-99 (95 to 105 ft)	78.0
WL-100 (85 to 95 ft)	66.7
WL-100 (285 to 295 ft)	50.0
WL-101 (120 to 130 ft)	67.9
WL-101 (160 to 170 ft)	71.6
WL-102 (55 to 65 ft)	72.1
WL-103 (140 to 150 ft)	64.7
WL-103 (270 to 280 ft)	64.8

Four additional, large-diameter “PQ” core holes were drilled in November-December 2010 to provide additional mineralized material for column leach tests. Two holes were drilled on the Wheeler deposit and two holes were

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drilled on the Wilson deposit. A total of 710 ft were cored for an average hole depth of 177.5 ft. Golder Associates in Reno, Nevada has completed a geotechnical log of the drill core and has determined clay characteristics. All core has been geologically logged and photographed and awaits sampling and assaying. Additional column leach and environmental tests are planned on the core material.

Tetra Tech, Inc. in Golden Colorado is in the process of completing an updated Technical Report utilizing all available drill-hole and metallurgical data. Kappes, Cassidy & Associates of Sparks, Nevada has provided ore processing and cost data for eventual incorporation into future reports. The Technical Report, which is compliant with Canadian National Instrument 43-101 was filed on SEDAR (www.sedar.com) on March 21, 2011, under the Company's profile.

The Company uses JBR Environmental Consultants of Reno, Nevada for guidance in permitting the Pine Grove Property to production. A Class III Cultural Survey (archaeology) has been completed over a 700 acre area comprising the conceptual operations. Fauna and flora studies have also been completed. A continuous recording weather station is on site for base line data. Meetings have been held with the Nevada Division of Environmental Protection and the U.S. Forest Service in regard to advancing the project.

Oro Cruz Gold Property, Imperial County, California

The Oro Cruz gold property consists of 151 unpatented lode claims (approx. 3,000 acres) located in the Tumco mining district in the Cargo Muchacho Mountains, Imperial County, California. The property is on lands administered by the U.S. Bureau of Land Management (BLM). Access from nearby Yuma, Arizona is excellent via the I-8 freeway westward to Ogilby Road (paved) and then northward to the Tumco Historic Townsite which occupies a portion of the Oro Cruz Property. Travel time from Yuma is approximately 25 to 35 minutes. Access on the claim block is via BLM dirt roads. Oro Cruz is 14 miles southeast of the Mesquite gold mine (in production by New Gold Inc.) and is within 2 miles of the American Girl gold mine (past producer – 428,000 ozs gold).

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

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

The Tumco Historic Townsite was established in 1996 and restricts the public to foot traffic in the vicinity of the Oro Cruz gold deposit. Mineral entry is still permitted and the BLM has provided Lincoln with a key to the locked gate for access to the Oro Cruz deposit. An Environmental Assessment will be required by the BLM to re-establish alternate road access to the deposit area.

Large-scale mining in the Tumco mining district occurred during 1890-1916 and 1932-1941, producing more than 150,000 ozs gold. In the mid 1990's, the property was developed as the "Golden Cross" mine by MK Gold Company as part of the American Girl joint venture. MK Gold produced 61,000 ozs gold in one year from both underground and open-pit operations. Mining ceased in 1996 due to low gold prices. Prior to cessation, MK Gold was in the process of a significant pit wall push back to reach additional in-place "ore." Ore-grade gold mineralization is exposed in the pit and in underground workings.

In early 2010, Lincoln contracted Atkinson Underground LP ("Atkinson") of Golden, Colorado to open and inspect the underground decline and ventilation shaft system. The decline was reported to be in good condition and the mine air is good. The air and water lines appear to be in usable condition. CAL-OSHA inspectors

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conducted a courtesy inspection of the underground workings in early 2010 with no negative comments. The Company has welded the underground portal closed to prevent unlawful entry by trespassers. The portal can be reopened as necessary.

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

Oro Cruz Gold Resources – September 2010

Category	Cutoff Grade (opt gold)	Short Tons	Average Grade (opt gold)	Contained Ozs Gold
Inferred	0.02	4,835,000	0.070	341,800

Tetra Tech recommended a twin-hole drilling program of 34 core holes to validate the deposit and upgrade the resource category. They also recommended bulk density testing, preliminary metallurgic test work, location of a suitable water and power source, and baseline environmental studies. Lincoln is in the process of planning the twin-hole program as well as planning exploration drilling of the down-dip extension of the main Oro Cruz mineralized zone and satellite targets.

The BLM field office in El Centro, California has informed the Company that future drilling will require an Environmental Assessment (“EA”). Qualified personnel with Tetra Tech’s office in San Bernardino, California will be utilized to prepare the EA in 2011. The EA will require that Lincoln provide detailed topographic maps for project access, drill hole locations, and environmental studies. In April 2011, Lincoln conducted aerial photography over the entire mining district. New topographic base maps are expected in June 2011. As part of the new base map program, various old MK Gold drill hole collars were re-surveyed in an effort to ensure that all drill hole coordinates are correct.

MEXICO

La Bufa Gold-Silver Property, Chihuahua, Mexico

The La Bufa gold-silver property is located in the Sierra Madre Occidental in the far southwestern corner of the State of Chihuahua, Mexico, near the small town and mining district of Guadalupe y Calvo. La Bufa is comprised of four mining concessions totaling 2,311.1 hectares (5,711 acres) which cover much of the northwest-trending zone of mineralization. The Company’s concessions surround the El Rosario mine which was discovered in 1836 and where nearly all of the historic gold-silver production was derived. Gammon Gold presently controls the concessions that cover the historic mine. Gammon also controls very large concessions surrounding the Company’s land position in the main district.

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

The La Bufa Property is an early-stage exploration gold-silver property. The key target is an epithermal quartz-breccia vein and stockwork system hosted in “Lower Volcanics.” Lincoln has flown the district with aerial photography and has generated high-quality topographic maps for mapping, sampling, drilling and engineering. In 2008, the Company drilled 12 angle core holes in the southern portion of the Property for a total of 4,811.85 m. The widely spaced holes focused on the El Rosario vein system which extends onto the Company’s ground. Encouraging results were received from along a 300 m strike of the vein system within 400 m of the El Rosario mine property boundary. Drilling results in the southern area suggest that significant gold-silver mineralization occurs primarily in the shallower portions of the vein system.

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

TARGET AREAS	ANOMALOUS GOLD (gpt)	ANOMALOUS SILVER (gpt)
TARGET AREA 1		
“	2.20	978
“	13.3	902
TARGET AREA 1 (cont'd)	0.53	626
	0.39	434
“	21.5	193
“	0.25	180
“	0.32	164
“	-	38.6
“	-	22.4
“	-	21.1
“	20.0	16.7
“	0.236	13.5
“	-	11.3
“	0.191	9.1
“	0.302	8.9
“	0.360	7.8
“	-	7.1
“	-	6.6
“	-	6.6
“	-	5.9
“	-	4.4
“	-	4.3
“	-	4.0
“	-	3.7
“	-	3.6
“	1.98	3.2
“	0.14	2.5

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TARGET AREAS	ANOMALOUS GOLD (gpt)	ANOMALOUS SILVER (gpt)
TARGET AREA 2		
“	0.928	87.6
“	0.119	42.5
“	0.189	19.8
“	0.193	15.9
“	0.114	14.0
“	0.424	11.5
“	-	11.5
“	0.324	10.9
TARGET AREA 2 (cont'd)	0.188	5.6
“	0.317	5.5
“	-	5.2
TARGET AREA 3	<i>(Disseminated stockwork target)</i>	
“	-	74.8
“	-	15.9
“	-	8.5
“	-	4.2
“	-	4.2
“	0.112	3.0
“	0.558	2.0
“	-	1.3
“	-	1.2
“	-	1.1
“	-	1.0

Lincoln has received permission from the Ministry of Environmental and Natural Resources, Semarnat (Secretaria de Medio Ambiente y Recursos Naturales) to carry out its planned 5,000-meter drill program. Lincoln has contracted Perforaciones Corebeil SA de CV of Mazatlan to carry out the drilling, which is expected to start by the end of June or the first week of July. Road and pad construction is underway and five drill pads have been completed at this time.

The La Bufa Property surrounds the GyC property owned by AuRico Gold (formerly Gammon Gold Inc.). Gammon previously announced Inferred resources of over one million ounces of gold and 45.6 million ounces of silver on its GyC property (see Feb. 28, 2011 news release by Gammon Gold).

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Since 2008, Lincoln geologists have been focusing on defining drill targets in the northwest part of the property, which the Company's management believes to have substantial mineral potential. Programs of geophysics, rock-chip and soil sampling, and geologic mapping have been completed covering an area of over 15 square kilometers (see news release of July 27, 2010). Five large distinct targets have been identified all the way from Gammon Gold's GyC property boundary in the south to the northern boundary of the La Bufa property, a distance of over 5 kilometers.

Elgin Agreement

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

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

New Opportunities

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

Outstanding Share Data

The Company has an authorized share capital of an unlimited number of common shares, of which 89,323,093 were issued and outstanding as at the date of this report.

The Company has outstanding a total of 28,184,557 full share equivalent warrants outstanding as at the date of this report ranging in price from \$0.25 to \$0.35 per share and 7,875,000 options with exercise prices from \$0.19 to \$0.35.

Related Party Transactions

During the three months ended March 31, 2011 and March 31, 2010, the Company paid or accrued director fees of \$12,000 (2010 - \$9,000) to directors and a company owned by a director of the Company, management fees of \$27,000 (2010 - \$27,000) to a company owned by the President of the Company, exploration fees of \$26,903 (2010 - \$25,390) to the Vice President of Exploration of the Company, and consulting fees of \$62,383 (2009 - \$30,000) to the CFO, Vice President of Operations of the Company and a company owned by a director of the Company. The Company also granted share-based compensation of \$69,462 (2010 - \$94,852) to the directors and the President, Vice President of Exploration, Vice President of Operations and CFO of the Company. Share-based compensation is the fair value of the options granted.

As at March 31, 2011, the Company owed \$15,420 (December 31, 2010 - \$13,143) (January 1, 2010 - \$2,000) to the VP of Exploration, VP of Operations, and various directors, which is included in accounts payable.

The Company advanced \$81,900 to certain directors and officers to allow them to purchase escrowed common shares of the Company directly from the former escrow shareholders, of which \$66,900 was outstanding as of

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December 31, 2009. The outstanding balance was subsequently repaid in full during the year-ended December 31, 2010.

Liquidity and Solvency

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

As at	March 31, 2011	December 31, 2010
	IFRS	IFRS
Cash	\$ 366,35	\$ 1,137,006
Working capital	134,497	885,554
Long-term debt	275,321	216,691

Period Ended	March 31, 2011	December 31, 2010
	IFRS	IFRS
Cash used in operating activities	\$ (786,921)	\$ (3,921,835)
Cash used in investing activities	-	(194,929)
Cash provided by financing activities	16,250	3,492,543
Change in cash	\$ (770,671)	\$ (624,221)

On June 1, 2010, the Company issued a total of 12,045,395 units at a price of \$0.22 per unit ("Units") for total proceeds of \$2.65 million in connection with the brokered private placement, under which Casimir Capital LP acted as agent with Bolder Investment Partners Ltd. involved as a significant member of the agent's selling group. Each Unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.35 per share until June 1, 2012.

Concurrent with the brokered private placement, the Company also closed a non-brokered private placement of 6,088,454 Units at the same price and having the same terms as the Units under the brokered private placement, for total proceeds of \$1.34 million.

As compensation, the agent's selling group in the brokered private placement, and certain finders involved in the non-brokered private placement received an aggregate (i) cash commission of 7% of the total proceeds raised and (ii) non-transferable warrants ("Broker Warrants") to acquire common shares of the Company equal to 7% of the total number of Units sold. Each such warrant will entitle the holder to acquire one common share of the Company at a price of \$0.35 per share until June 1, 2012. At the closing of the private placement, the Company issued a total of 1,142,415 Broker Warrants with a value of \$59,016 and paid a total of \$444,806 in cash commissions and other costs.

On April 1, 2011, the Company received \$1,000,000 as the first payment arising out of the agreement with Elgin (see "Elgin Agreement") for greater detail on the agreement). The Company will receive three more \$1,000,000 payments on October 1, 2011, April 1, 2011 and October 1, 2012. These amounts will be applied to the exploration expenditures on the Oro Cruz and La Bufa projects.

On June 14, 2011, the Company issued at a total of 5,556,177 units at a price of \$0.17 per unit for total proceeds of \$945,000 in connection with the first tranche of a non-brokered private placement. Each Unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.35 per share until June 14, 2013.

On June 16, 2011, the Company issued a total of 530,000 units at a price of \$0.17 per unit for total proceeds of \$90,100 in connection with the second and final tranche of the non-brokered private placement. Each Unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.35 per share until June 16, 2013.

As compensation, qualified persons acting as finders in connection with the private placement ("Finders") received a cash commission of 7% of the proceeds raised and non-transferable warrants ("Finders Warrants")

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equal to 7% of the total number of Units sold to persons introduced to the Company by the Finder. Each such warrant entitles the holder to acquire one common share of the Company at a price of \$0.35 per share until June 14, 2013. At the closing of the private placement, the Company issued a total of 332,500 Finders Warrants and paid a total of \$56,525 in cash commissions.

All securities issued under the private placement will be subject to a four month hold period in Canada expiring on October 15, 2011, in addition to any other restrictions under applicable securities laws of jurisdictions outside Canada.

Lincoln intends to use the net proceeds raised from the private placement to advance work programs on its mineral properties and for general working capital purposes.

The Company is dependent on the sale of treasury 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.

Commitments

In addition to commitments mentioned elsewhere in this document, the Company assumed the remainder of a premises lease expiring February 2010. The Company then signed a new lease for the period from March 2010 to February 2015. Pursuant to this lease commitment, the Company's annual minimum commitments are as follows:

2011 - \$40,390
2012 - \$53,853
2013 - \$56,948
2014 - \$57,567
2015 - \$ 9,595

During the year ended December 31, 2009, the Company, in the normal course of business, entered into five employee and consulting agreements expiring in 2014, for the Company's key management positions. The agreements provide for additional payments in the event of severance or change in control.

Capital Resources

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital assets are resource properties. Exploration expenditures are expensed as incurred.

The Company's resource property agreements are primarily option agreements and the exercise thereof are at the discretion of the Company. To earn its interest in the properties, the Company must incur certain expenditures in accordance with the agreements. The Company has also entered into one purchase agreement (see "Project Summaries and Activities").

The Company depends on equity sales to finance its exploration programs and to cover administrative expenses.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Proposed Transactions

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

Accounting Policies

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, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

As the Company prepared its first financial statements for the quarter of 2011 using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that are not included in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP have been included in the unaudited condensed consolidated interim financial statements of the first quarter of 2011 for the comparative periods.

Critical Accounting Estimates

The Company prepares its financial statements in accordance with IFRS, which require management to estimate various matters that are inherently uncertain as of the date of the financial statements. Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial statements. The Company's significant accounting policies are discussed in the unaudited condensed interim financial statements. Critical estimates in these accounting policies are discussed below.

Environmental Rehabilitation Provision

The Company recognizes the fair value of a liability for environmental rehabilitation in the period in which the Company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows.

Share-based Payments

The Company has a share option plan which is described in Note 13 (c) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011. The fair value of all share-based awards is estimated using the Black-Scholes Option-Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of share purchase options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

Recent Accounting Announcements

The International Accounting Standards Board has amended IFRS 7 *Financial Instruments: Disclosure* ("IFRS 7") with an effective date for year ends starting on or after January 1, 2011, with regards to risks arising from financial instruments. The changes to IFRS 7 require companies to provide the same level of disclosure as is provided internally to key management personnel. It is expected that the amendment to IFRS 7 will increase the current level of disclosure relating to transfers of financial assets.

The International Accounting Standards Board has issued IFRS 9 *Financial Instrument* ("IFRS 9") to replace IAS39 *Financial Instruments*. IFRS 9 has an effective date for year ends starting on or after January 1, 2012, with early adoption permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

Improvements to IFRSs (issued in May 2010) – The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards.

- (i) IFRS 3, *Business Combinations*
- (ii) IAS 1, *Presentation of Financial Statements*
- (iii) IAS 27, *Consolidated and Separate Financial Statements*
- (iv) IAS 34, *Interim Financial Reporting*

The adoption of these standards had no impact on the unaudited condensed consolidated interim financial statements.

Transition to International Financial Reporting Standards ("IFRS")

The Company's IFRS transition plan as described in the Management's Discussion and Analysis for the year ended December 31, 2010 is substantially complete. Effective January 1, 2011, the Company adopted IFRS. The Company's unaudited condensed consolidated interim financial statements for the first quarter of 2011 have been prepared in accordance with IFRS, including comparative amounts for 2010. Details of the accounting differences are described in Note 19 of the unaudited condensed consolidated interim financial statements.

Although IFRS has a conceptual framework that is similar to previous Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The transition to the IFRS framework has resulted in several changes to the Company's accounting policies that impact its financial reporting. The following are the most significant accounting differences; however, it is not a complete list of the decisions the Company was required to or elected to make:

Deferred tax on mineral properties

Under Canadian GAAP, the Company recognized a future income tax liability of \$490,200 and related mineral property costs arising on the acquisition of the La Bufa Property interest (see Note 8 (c) where the fair value of the asset acquired exceeded its tax basis in a transaction which was not a business combination and affected neither accounting profit (loss) nor taxable profit (loss)). IAS 12, *Income Taxes* ("IAS 12"), does not permit the recognition of deferred taxes on such transactions.

As of January 1, 2010 and December 31, 2010, the Company derecognized the impacts of all deferred taxes which had previously been recognized on the initial acquisition of mineral properties through transactions not considered business combinations and affecting neither accounting profit (loss) nor taxable profit (loss).

Reclassification with equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Under adoption of IFRS, the balances in these accounts have been

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reclassified to "Reserves" and additionally, the Company has reclassified amounts relating to forfeited and expired options and warrants back into deficit or share capital where they were originally recorded.

Foreign currency translation

Under IFRS 1, as of January 1, 2010, the Company has elected to transfer all foreign currency translation differences, recognized as a separate component of equity to deficit. In turn, the Company has reclassified the amount in accumulated other comprehensive loss of \$12,990 to deficit.

Financial Instruments

Designation and Valuation of Financial Instruments

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable and accrued liabilities, notes payable, promissory note, provisions, and commitment to issue shares. Cash is designated as held for trading and carried at fair value, with any unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations. Receivables and due from related parties are classified as loans and receivables, and accounts payable, accrued liabilities, notes payable, promissory note, and provisions are classified as other financial liabilities, and recorded at amortized cost using the effective interest rate method. The Company does not hold any derivative financial instruments.

The carrying value of receivables, due from related parties, accounts payable, accrued liabilities, notes payable, promissory note and commitment to issue shares approximated their fair value because of the relatively short-term nature of these instruments. Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs (see Note 4 of the December 31, 2009 audited financial statements for further details).

Risks

Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos. At March 31, 2011, the Company had a net monetary asset position of US\$115,628 and its net monetary position denominated in Mexican pesos are negligible. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of \$11,237. The Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

The Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST/HST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

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

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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.

Risks and Uncertainties

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

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

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

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

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

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

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

Other

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.lincolnmining.com and www.sedar.com.

Trends

Trends in the industry can materially affect how well any junior exploration company is performing. The price of precious metals, in particular gold and silver, remains high and as a result worldwide exploration is starting to

pick up. Under the current economic conditions, Lincoln is advancing its properties as quickly as possible while still remaining prudent when considering large cost items such as drilling and geophysics. Lincoln management believes that the gold price will continue its general upward trend and that the metals price will be higher at the end of 2011.

Outlook

The outlook for precious metals continues to improve and this is reflected in Lincoln's increased financial strength. The prospect for financing the Company's projects is better and this will enable the Company to continue as a viable entity. Lincoln's advanced-stage properties, Pine Grove and Oro Cruz, will require significant investment as they transition into development state projects. Staff and contractor requirements are expected to increase as Lincoln fast-tracks these properties to production. Exploration costs at La Bufa will also increase if a drilling program is commenced. Lincoln management believes that the Company is on its way to becoming a new junior gold-silver producer in stable countries with 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 factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.