

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars, unless otherwise stated)

For the fiscal year ended
December 31, 2009 and 2008

AUDITORS' REPORT

To the Shareholders of
Lincoln Mining Corporation
(formerly LPT Capital Corp.)

We have audited the consolidated balance sheets of Lincoln Mining Corporation (formerly LPT Capital Corp.) as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

April 21, 2010



LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian dollars, unless otherwise stated)
December 31, 2009 and December 31, 2008

	2009	2008
ASSETS		
Current		
Cash	\$ 1,761,227	\$ 1,553
Receivables	28,681	7,943
Due from related parties (Note 12)	66,900	-
Prepaid expenses and deposits	98,454	675
	<u>1,955,262</u>	<u>10,171</u>
Mineral property interests (Note 7e)	63,153	-
Equipment (Note 6)	28,828	11,679
Deposits	37,684	-
Deferred financing costs	-	177,600
	<u>\$ 2,084,927</u>	<u>\$ 199,450</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 354,275	\$ 728,979
Advance from LPT Capital Ltd.	-	66,500
Loan payable (Note 8a)	-	59,505
Convertible loans from related parties (Note 8b)	-	343,107
Notes payable (Note 8c)	52,098	1,329,809
	<u>406,373</u>	<u>2,527,900</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 9)	10,260,774	4,276,642
Contributed surplus (Note 9)	1,836,778	1,670,091
Accumulated other comprehensive income (loss)	(12,990)	(12,990)
Deficit	(10,406,008)	(8,262,193)
	<u>1,678,554</u>	<u>(2,328,450)</u>
	<u>\$ 2,084,927</u>	<u>\$ 199,450</u>

Continuance of operations (Note 2)
Commitments (Note 18)
Subsequent events (Note 19)

On behalf of the Board:

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

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

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

	2009	2008
EXPLORATION EXPENSES (Note 7)	\$ 674,868	\$ 2,025,586
ADMINISTRATIVE EXPENDITURES		
Administrative support	70,222	55,655
Amortization	7,373	10,066
Consulting fees	257,309	63,582
Foreign exchange	(31,748)	(26,477)
Interest expense	197,402	154,735
Investor relations	77,245	65,283
Management fees	73,083	10,488
Office	98,301	46,353
Professional fees	179,206	279,136
Property investigation and due diligence	-	4,116
Regulatory and shareholder services	78,087	31,965
Stock-based compensation (Note 10)	166,687	-
Travel and entertainment	34,611	9,284
LOSS BEFORE OTHER ITEMS	(1,882,646)	(2,729,772)
OTHER ITEMS		
Interest income	3,849	674
Reverse takeover costs (Note 5)	(431,917)	-
Loss on disposition of equipment	-	(809)
Gain on settlement of debts	166,899	46,667
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(2,143,815)	(2,683,240)
DEFICIT, beginning of year	(8,262,193)	(5,578,953)
DEFICIT, end of year	\$ (10,406,008)	\$ (8,262,193)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.06)	\$ (0.12)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	34,642,977	23,204,089

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

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Loss for the year	\$ (2,143,815)	\$ (2,683,240)
Items not affecting cash:		
Amortization	7,373	10,066
Loss on disposition of equipment	-	809
Shares issued for mineral properties	6,000	31,000
Stock-based compensation	166,687	-
Finders shares as RTO costs	213,916	-
Accrued interest expense	193,025	109,985
Warrants issued for financing cost	-	2,479
Shares issued for financing cost	-	44,750
Gain on settlement of debts	(166,899)	(46,667)
Exploration services for note payable	-	800,000
Unrealized foreign exchange	-	46,864
Changes in non-cash working capital items:		
Increase in receivables	(20,738)	(4,812)
Decrease (increase) in prepaids and deposits	(135,463)	107,225
(Decrease) increase in accounts payable and accrued liabilities	(175,715)	450,982
Decrease in loan receivable	-	5,000
Net cash used in operating activities	<u>(2,055,629)</u>	<u>(1,125,559)</u>
Cash flows from financing activities		
Shares issued for cash	4,973,360	325,918
Share issue costs	(271,589)	(46,127)
Proceeds from loans and notes payable	50,000	742,072
Repayment of loans and notes payable	(876,452)	-
Deferred financing costs	-	(23,000)
Net cash provided by financing activities	<u>3,875,319</u>	<u>998,863</u>
Cash flows from investing activities		
Cash acquired pursuant to RTO	56,488	-
Acquisition of equipment	(24,522)	(11,804)
Advances to LPT prior to RTO	38,071	-
Decrease in due from related parties	(66,900)	-
Deferred mineral property expenditures	(63,153)	-
Disposition of equipment	-	16,852
Net cash (used in) provided by investing activities	<u>(60,016)</u>	<u>5,048</u>
Change in cash during the year	1,759,674	(121,648)
Cash, beginning of year	1,553	123,201
Cash, end of year	\$ 1,761,227	\$ 1,553
Interest paid in cash	\$ 90,747	\$ -
Income taxes paid in cash	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 16)

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

On January 15, 2009 and July 8, 2009, Lincoln Gold Corporation (“LGC”) and LPT Capital Ltd (“LPT”) entered into an arrangement agreement whereby 0843037 BC Ltd., a subsidiary of LPT, would amalgamate with LGC and in return, LPT would issue to LGC’s shareholders 23,204,089 LPT shares. On February 18, 2009, LGC’s shareholders approved and completed its continuation from federal jurisdiction to British Columbia and also approved the transaction with LPT. On February 20, 2009 the Supreme Court of British Columbia entered its final order approving the plan of arrangement. The completion of the transaction occurred in August 2009 in conjunction with LPT completing an equity financing raising \$4,973,360. Upon completion of the transaction, LPT changed its name to Lincoln Mining Corporation. The transaction was treated as a reverse takeover (“RTO”) acquisition of LPT by LGC and was treated as a capital transaction by LGC. Accordingly, the comparative financial information presented is that of LGC as the acquirer for accounting purposes. The activities of LGC from its inception and LPT from the date of its acquisition are collectively referred to as the Company (see also Note 5).

The Company is engaged in the acquisition and exploration of mineral properties, with the primary aim of developing properties to a stage where they can be exploited for a profit. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2009, the Company had no source of operating cash flow, had an accumulated deficit of \$10,406,008 since its inception, and had positive working capital of \$1,548,889.

The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. Funding for operations is obtained primarily through public and private share offerings and debt financing. Management recognizes that the Company will need to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. If the Company is unable to continue to raise additional financing, the Company will be required to curtail operations and exploration activities.

Management is continuing to focus efforts on obtaining further financing and believes that the Company will be able to continue to raise additional funds. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. It is management’s opinion that all adjustments considered necessary for fair presentation of the results for the years presented have been reflected in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, stock-based compensation, asset retirement obligations, the useful lives estimate and valuation allowances on future income tax assets. Actual results could differ from these estimates.

Presentation

Where applicable, comparative figures have been reclassified to conform with the presentation used in the current year.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization 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.

Mineral property interests

The Company charges to operations all exploration and development 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 and warrants 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)

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company does not have any significant asset retirement obligations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Financial instruments – recognition and measurement

The Company classifies all financial instruments as either held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held for trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available for sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held to maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company classifies its cash as held for trading and receivables and due from related parties as loans and receivables. Accounts payable and accrued liabilities as well as advances, notes and loans payable are classified as other financial liabilities.

Transaction costs relating to the issuance of debt instruments are deducted from the related financial liability and amortized using the effective interest method over the term of the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currency translation

The Company's subsidiaries represent integrated foreign operations. Monetary assets and liabilities are translated at the rate of exchange at the balance sheet date and 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 the statement of operations

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available for sale.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation over the vesting period of the stock options.

Income taxes

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

4. NEW ACCOUNTING STANDARDS

Accounting standards newly adopted

(a) Goodwill and intangible assets

CICA Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill

4. NEW ACCOUNTING STANDARDS (CONT'D)

(a) Goodwill and intangible assets (cont'd)

subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this section has had no significant impact on the Company's financial statements

(b) Amendment to Financial Instruments - Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

See Note 15 for relevant disclosures.

Accounting standards not yet adopted

(a) Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, 1601, *Consolidated Financial Statements* and 1602, *Non-controlling Interests* which replace CICA Handbook Sections 1581, *Business Combinations* and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

(b) International financial reporting standards ("IFRS")

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. While the effects of adopting IFRS have not yet been fully determined, the Company has identified a number of key areas which are likely to be impacted by changes to and additional disclosure. The Company does not currently expect any significant changes to its accounting policies.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

5. RECAPITALIZATION

Effective August 18, 2009, LPT and LGC completed an arrangement whereby LGC was acquired by LPT and became a wholly-owned subsidiary of LPT through a merger with a subsidiary of LPT. Pursuant to this arrangement the following occurred on the completion of the transaction:

- a) Outstanding shares of LPT of 6,000,000 were consolidated to 4,000,000
- b) Each shareholder of LGC received 0.31 shares of LPT for each LGC share held, resulting in the issuance of 23,204,089 shares
- c) All outstanding LGC and LPT options were cancelled
- d) LGC warrants were exchanged on the same ratio as the shares, resulting in the issuance of 2,085,979 warrants
- e) LPT changed its name to Lincoln Mining Corporation.

As a result of the arrangement, the former shareholders of LGC were considered to have acquired control of the combined entity. Accordingly, the transaction was treated as a reverse takeover transaction ("RTO") whereby the acquisition of LPT by LGC and was treated as a capital transaction by LGC. The net assets assumed by LGC under this recapitalization are as follows:

Cash	\$ 56,488
Advances to LGC	104,570
Accounts payable and accrued liabilities	<u>(49,206)</u>
	<u>\$ 111,852</u>

The financial statements include the financial position and results of operations of LGC, as well as LPT, commencing on August 18, 2009, which is the date LGC acquired LPT. Costs incurred relating to the RTO in excess of cash assumed on the recapitalization of \$431,917 have been expensed as incurred.

6. EQUIPMENT

	Cost	Accumulated Amortization	Dec 31, 2009 Net Book Value
Computer equipment	\$ 8,746	\$ 6,826	\$ 1,920
Computer software	1,345	1,345	-
Mining equipment	11,804	7,028	4,776
Office equipment	5,400	3,628	1,772
Vehicles	22,211	1,851	20,360
	<u>\$ 49,506</u>	<u>\$ 20,678</u>	<u>\$ 28,828</u>
	Cost	Accumulated Amortization	Dec 31, 2008 Net Book Value
Computer equipment	\$ 7,610	\$ 5,816	\$ 1,794
Computer software	1,345	1,345	-
Mining equipment	11,804	3,431	8,373
Office equipment	4,225	2,713	1,512
	<u>\$ 24,984</u>	<u>\$ 13,305</u>	<u>\$ 11,679</u>

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

7. MINERAL PROPERTY INTERESTS

The Company's mineral property interests are comprised of properties located in the United States and in Mexico. During the year ended December 31, 2009, the Company incurred exploration expenditures as follows:

	United States				Mexico	Total
	Hannah	Pine Grove	Oro Cruz	Other	La Bufa	
Exploration and related expenditures						
Option, lease and advance royalty payments	\$ 13,860	\$ 59,286	\$ -	\$ -	\$ 6,000	\$ 79,146
Casual labour	-	460	-	-	-	460
Claimstaking	-	11,981	-	-	-	11,981
Contractors	2,975	66,243	5,073	560	55,243	130,094
Drilling and metallurgical	-	265,838	2,059	-	-	267,897
Field supplies	63	13,930	-	-	5,510	19,503
General administration	-	-	-	-	23,964	23,964
Insurance	-	3,333	-	-	-	3,333
Land maintenance	-	37,054	-	-	13,271	50,325
Permitting environment	-	28,587	-	-	-	28,587
Property evaluations	-	5,713	454	-	-	6,167
Resource estimation	-	2,288	-	-	-	2,288
Surveying	-	47,605	-	-	65,325	112,930
Travel and accommodation	264	9,270	-	-	3,386	12,920
Vehicle operating	-	1,731	-	-	-	1,731
Refund of IVA - Mexico	-	-	-	-	(50,838)	(50,838)
Cost recovery	-	-	-	(6,720)	-	(6,720)
Proceeds from option agreement	(18,900)	-	-	-	-	(18,900)
Total mineral property expenditures	\$ (1,738)	\$ 553,319	\$ 7,586	\$ (6,160)	\$ 121,861	\$ 674,868

During the year ended December 31, 2008, the Company incurred exploration expenditures as follows:

	United States			Mexico	Total
	Hannah	JDS	Pine Grove	La Bufa	
Exploration and related expenditures					
Option, lease and advance royalty payments	\$ 11,030	\$ -	\$ 58,250	\$ 31,000	\$ 100,280
Geochemistry	-	-	-	476	476
Contractors	1,047	996	64,479	92,223	158,745
Drilling and metallurgical	-	-	269,895	1,259,242	1,529,137
General administration	-	-	8,660	35,867	44,527
Geologic mapping and imagery	-	-	409	236	645
Land maintenance	3,370	(1,080)	67,898	5,975	76,163
Field supplies	-	-	2,220	12,903	15,123
Resource estimation	-	-	26,439	-	26,439
Reclamation	(1,383)	-	-	-	(1,383)
Shipping	-	-	-	401	401
Travel and accommodation	263	104	11,083	63,583	75,033
Total mineral property expenditures	\$ 14,327	\$ 20	\$ 509,333	\$1,501,906	\$2,025,586

7. MINERAL PROPERTY INTERESTS (CONT'D)

United States

(a) Hannah Property, Nevada

In fiscal 2003, the Company entered into an option agreement to acquire a 100% interest in certain unpatented lode claims situated in Churchill County, Nevada, USA. The option agreement called for net smelter royalties ("NSR") of 1% to 4% upon production. Pursuant to the option agreement, the Company is required to make option payments totaling US\$210,000 in stages to January 2013, of which a total of US\$56,000 was paid to December 31, 2009.

In February 2009, the Company entered into an option agreement with Enexco International Inc. ("Enexco"), whereby Enexco could earn a 60% interest in the Hannah property by completing the following within a year:

- Pay the Company US\$15,000 (received) upon signing the agreement
- Pay the underlying option payments, not to exceed US\$25,000 for the year
- Make necessary claim maintenance fees and certain drilling requirements

In November 2009, Enexco gave notice to the Company of their intent to terminate the option agreement. Also, in November 2009, the Company sent its notification to terminate its underlying lease agreement.

(b) 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.

- 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 must 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 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 (Year 1 and 2 paid).

7. MINERAL PROPERTY INTERESTS (CONT'D)

(b) Pine Grove Property, Nevada (CONT'D)

- 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.
- 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 (Year 1 and 2 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;
- 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.

7. MINERAL PROPERTY INTERESTS (CONT'D)

(c) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln Gold US Corp., 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 in the 7th year. The NSR has been set at 3% for the first 500,000 ounces of gold production and 4% thereafter. An aggregate of 2% of the royalty can be bought down at a rate of \$500,000 per half percent.

(d) JDS Property, Nevada

In August 2008, the Company entered into an agreement with Carlin Gold US Inc. ("Carlin") whereby they sold the property to Carlin in return for a 2% NSR. Carlin has the option to purchase 1% of the royalty for US\$500,000 for each ½ of 1% of the NSR.

Mexico

(e) 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 date) 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 to Almaden and granting a 2% NSR on all future production from La Bufa. The Company has the option to buy down 1% of the NSR within one year following the decision to place the property into production, for a 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 as at December 31, 2009.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

8. LOANS AND NOTES PAYABLE

a) Loan payable

In November 2008, the Company received loan proceeds of US\$50,000 bearing an interest rate of 10% per annum, calculated and compounded monthly that was to be repaid on the earlier of: (i) the closing of a financing, (ii) the closing of the LPT transaction, or (iii) April 15, 2009. In fiscal 2008, the Company issued 100,000 common shares pursuant to this agreement as a financing cost, valued at \$2,000. In August 2009, the Company repaid this loan.

b) Convertible loans from related parties

i) In March 2008, the Company borrowed convertible loan proceeds of \$75,000. The Company also entered into a general security agreement ("GSA") whereby the loan is secured by way of general charge over the Company's assets. The Company agreed to repay the principal and interest upon completing a financing of more than \$500,000.

The principal amount bore interest at 8% per annum, compounded weekly for the first two weeks, and thereafter at the rate of 24% per annum compounded weekly, payable following the repayment of the principal. At any time that the principal and interest shall remain outstanding, the lender has the right to convert such principal and interest to shares of common stock of the Company at a rate of \$0.20 per share. The Company also issued 37,500 share purchase warrants in relation to this convertible loan, with each warrant entitling the lender to purchase one common share of that Company at \$0.25 per share for a period of two years. The fair value of the warrants was estimated to be \$2,479 and has been treated as a transaction cost.

The fair value of the warrants of \$2,479 was estimated using the Black Scholes option pricing model with the following assumptions: i) expected volatility of 93.5%; risk free interest rate of 2.6%; iii) expected weighted average life of 6 months; and iv) no dividend yield. The Company determined that the equity component of the convertible loan was not significant.

In December 2008, a director of the Company paid out the convertible loan indebtedness of \$75,000 plus accrued interest of \$20,047 totalling \$95,047 in return for the assignment of that debt. As part of such payout the third party's general security agreement over the Company's assets was discharged. The \$95,047 debt is unsecured and accrues interest at a rate of 5% per annum (See below iii).

8. LOANS AND NOTES PAYABLE (CONT'D)

b) Convertible loans from related parties (continued...)

ii) During the year ended December 31, 2008, the Company received convertible loan proceeds of \$181,000 from the CEO. The principal amount bore interest at 5% per annum, and had no specific term of repayment. At any time that the principal and interest remained outstanding, the lender had the right to convert such principal and interest to shares of common stock of the Company at a rate equal to the average trading price of the stock over the last five days prior to conversion. It was determined that the equity component of the convertible loan was not significant.

In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 3,420,000 shares valued at \$171,000 and a cash payment of \$10,000. Accrued interest of \$11,245 was forgiven and recorded as a gain on settlement of debt.

iii) During the year ended December 31, 2008, the Company received further convertible loan proceeds of \$154,047 from a director of the Company of which \$95,047 relates to the assumption of convertible loan indebtedness noted above in i). The loans bore interest at a rate of 5-10%. At any time that the principal and interest remained outstanding, the lender had the right to convert such principal and interest to shares of common stock of the Company at a rate equal to the average trading price of the stock over the last five days prior to conversion. It was determined that the equity component of the convertible loan was not significant.

In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 1,180,000 shares valued at \$59,000 and a cash payment of \$95,047. Accrued interest of \$7,764 was forgiven and recorded as a gain on settlement of debt.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

8. LOANS AND NOTES PAYABLE (CONT'D)

c) Notes payable

In January 2004, the Company issued a US\$200,000 convertible note. The note carried an interest rate of 10% compounded monthly and was due on January 28, 2006. On September 15, 2005 the Company completed an agreement whereby the Company repaid US\$100,000 of the convertible note along with US\$35,000 accrued interest and agreed to repay the remaining US\$100,000 within sixty days. With the completion of the first payment the conversion feature was cancelled. In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 1,000,000 shares with a value of US\$50,000 and a cash payment of \$107,770. Accrued interest of \$1,889 was forgiven and recorded as gain on settlement of debt.

In June 2008 the Company issued a promissory note in return for \$300,000. The note bore interest at a rate of 10% per year. The principal and interest were due at the earliest of June 16, 2009 or when the Company completed a financing of \$1,500,000 or greater. In consideration for this loan the Company issued 450,000 shares to the lender. These shares were valued at \$42,750. In August 2009, pursuant to a debt settlement agreement, the principal of the debt was settled through the issuance of 6,000,000 shares with a value of \$300,000. The remaining accrued interest of \$36,424 was paid in full as at December 31, 2009.

In August 2008, the Company issued a promissory note in the amount of \$800,000 in return for drilling services accrued in accounts payable. The note was due on demand, any time after February 15, 2009, and accrued interest at 1.5% per month. After demand, the note accrued interest at a rate of 2% per month. In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 6,000,000 shares with a value of \$300,000 and a cash payment of \$500,000. Accrued interest of \$140,575 was forgiven and recorded as a gain on settlement of debt, while the remaining \$50,000 of accrued interest was paid in full as at December 31, 2009.

In May 2009, the Company received loan proceeds of \$50,000 from two individuals bearing an interest rate of 8% per annum due December 31, 2009. As of December 31, 2009, the loan plus accrued interest of \$52,098 remain outstanding. It is the intention that the loan plus accrued interest will be repaid by the conversion to common shares of the Company, subject to TSX-V approval.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of shares	Share Capital	Contributed Surplus
Authorized - Unlimited number of common shares			
Issued and Outstanding:			
Balance, December 31, 2007	51,391,666	\$ 3,702,686	\$ 1,667,612
Warrants issued for financing costs	-	-	2,479
Private placement	2,067,000	413,400	-
Share issue costs	-	(35,375)	-
Shares issued for mineral property expenditures	200,000	31,000	-
Private placements	600,000	110,000	-
Share issue costs	-	(30,652)	-
Shares issued for financing cost	550,000	44,750	-
Shares issued for debt settlement	583,334	40,833	-
Balance, December 31, 2008	55,392,000	4,276,642	1,670,091
Shares issued for mineral property expenditures	200,000	6,000	-
Shares issued to settle debt	19,259,900	973,593	-
Elimination of LGC shares on RTO (Note 5)	(74,851,900)	-	-
Shares of LPT (post consolidation – Note 5)	4,000,000	111,852	-
Shares issued pursuant to RTO (Note 5)	23,204,089	-	-
Private placement	29,255,057	4,973,360	-
Shares issued for finders fees on private placement	670,588	114,000	-
Share issue costs for finders fees on private placement	-	(114,000)	-
Finders fees on RTO	1,258,333	213,916	-
Share issue costs	-	(294,589)	-
Stock-based compensation	-	-	166,687
Balance, December 31, 2009	58,388,067	\$10,260,774	\$ 1,836,778

During the year ended December 31, 2009, the Company:

- a) Completed an RTO (Note 5), whereby the Company issued 23,204,089 shares. The Company also issued a finders fee of 1,258,333 common shares pursuant to this transaction, with a value of \$213,916.
- b) Concurrent with the RTO, the Company completed a private placement, issuing 29,255,057 units at a price of \$0.17 per unit for gross proceeds of \$4,973,360. Each unit consisted of one share and one-half share purchase warrant, where each whole warrant entitles the holder to purchase one additional common share for \$0.25 for a period of two years. The Company issued 670,588 shares, valued at \$114,000, and paid \$238,101 in cash, as share issue costs pursuant to this transaction.
- c) Issued 200,000 shares, valued at \$6,000 pursuant to the La Bufa option agreement (Note 7(e)).

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONT'D)

- d) Issued 19,259,900 shares to settle liabilities of \$973,593, of which 17,600,000 shares settled loans and convertible loans of \$880,000 and 1,659,900 settled accounts payable and accrued liabilities of \$93,593.

During the year ended December 31, 2008, the Company:

- a) Issued to a lender 100,000 shares at a value of \$2,000, in consideration for a loan of US\$50,000.
- b) Issued 583,334 shares at a value of \$40,833 to settle a US\$87,500 liability owing to a former consultant of the Company resulting in a gain of \$46,667.
- c) Issued a promissory note in the amount of \$300,000. In consideration for this loan, the Company issued 450,000 shares valued at \$42,750 to the lender.
- d) Completed a private placement of 200,000 units at a price of \$0.15 per unit for proceeds of \$30,000. Each unit consisted of one common share and one-half share purchase warrant, where each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 for a period of two years.
- e) Completed a private placement of 400,000 units at a price of \$0.20 per unit for proceeds of \$80,000. Each unit consisted of one common share and one-half share purchase warrant, where each whole warrant entitles the holder to purchase one additional common share at a price of \$0.25 for a period of two years. The Company paid finder's fees of \$30,563 in relation to these two private placements in May 2008.
- f) Completed a private placement of 2,067,000 units at a price of \$0.20 per unit for proceeds of \$413,400. Each unit consisted of one common share and one-half share purchase warrant, where each whole warrant entitles the holder to purchase one additional common share at a price of \$0.25 for a period of two years. The Company paid finder's fees of \$35,375 in relation to this private placement. As at December 31, 2007, the Company had received \$197,482 of subscriptions towards this private placement and incurred \$19,900 of deferred financing fees.

Shares held in Escrow:

On completion of the RTO, 5,290,950 shares were subject to an escrow agreement, which provides for the release from escrow of 10% of such escrowed shares on August 18, 2009 and 15% every six months thereafter for a period of thirty-six months. As at December 31, 2009, there were 4,761,855 shares held in escrow.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

10. 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-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.

The number of stock options outstanding at December 31, 2009 are summarized as follows:

	December 31, 2009		December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At January 1, 2009	2,450,000	US\$ 0.25	2,450,000	US\$ 0.25
Expired or forfeited	(300,000)	US\$ 0.25	-	-
Cancelled	(2,150,000)	US\$ 0.25	-	-
Granted	4,400,000	\$ 0.19	-	-
Cancelled	(100,000)	\$ 0.19	-	-
Balance, December 31, 2009	4,300,000	\$ 0.19	2,450,000	US\$0.25

As at December 31, 2009 the following options are outstanding:

Number of options	Exercise price	Expiry date
4,050,000	\$ 0.19	September 29, 2014
250,000	\$ 0.23	December 11, 2010

As at December 31, 2009, 756,250 options (2008 – 2,450,000) are exercisable with a weighted average exercise price of \$0.20 (2008 – US\$0.25). During the year ended December 31, 2009, the Company recorded \$166,687 (2008 - \$nil) as stock-based compensation in the results of operations for options vested during the year, with an offset recorded to contributed surplus. The weighted average grant date fair value of the stock options granted was \$0.11 per option (2008 - \$nil).

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

10. STOCK OPTIONS (CONT'D)

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2009</u>	<u>2008</u>
Risk free interest rate	2.19%	-
Expected life	3.82 years	-
Expected volatility	75.00%	-
Dividend yield	0.00%	-

11. WARRANTS

As at December 31, 2009 the following warrants are outstanding:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
334,891	US\$ 4.33	July 27, 2010
321,962	\$ 0.80	January 21, 2010
62,305	\$ 0.80	April 14, 2010
31,153	\$ 0.64	May 15, 2010
11,682	\$ 0.80	March 3, 2010
<u>14,627,531</u>	<u>\$ 0.25</u>	<u>August 18, 2011</u>
<u>15,389,524</u>		

As at December 31, 2009, the share purchase warrant transactions are summarized as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Balance December 31, 2007	9,137,500	\$ 0.31
Issued	1,371,000	0.25
Expired	<u>(537,500)</u>	0.36
Balance, December 31, 2008	9,971,000	0.31
Cancelled pursuant to RTO (Note 5)	(6,696,000)	0.39
Re-issued pursuant to RTO (Note 5)	2,085,979	1.24
Expired	(4,598,986)	0.26
Issued from private placement	<u>14,627,531</u>	0.25
Balance, December 31, 2009	<u>15,389,524</u>	\$ 0.35

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company paid or accrued management fees and consulting fees of \$55,108 (2008 – \$40,941) and rent, included in office, of \$2,487 (2008 - \$2,583) to the Vice President of the Company, management and consulting fees of \$88,083 (2008 - \$10,488) to a company owned by the President of the Company, consulting fees of \$37,913 (2008 - \$18,638) to the CFO or a company owned by the former CFO of the Company and consulting fees of \$20,000 (2008 - \$nil) to former directors or companies owned by directors. In December 2008, the President forgave \$39,853 of management fees which was reversed against management fees.

As at December 31, 2009, the Company owed \$2,000 (2008 - \$53,217) to various directors and officers of the Company, which is included in accounts payable. During the year ended December 31, 2009, the Company settled accounts payable to a director and officer of \$32,020 through a cash payment of \$7,520 and the issuance of 490,000 shares of LGC. At December 31, 2009, the Company owed \$nil (2008 - \$43,281) for rent and administrative expenses to a Company with a director in common.

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 on completion of the RTO (Note 5), of which \$15,000 was repaid during the year and \$66,900 was outstanding as of December 31, 2009. Subsequent to year end, the outstanding balance was repaid in full.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. See Note 8 for details on related party loans.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

13. INCOME TAXES

The income tax provision (recovery) shown on the statements of operations differs from the amounts obtained by applying combined federal and provincial statutory rates to the net loss before taxes as follows:

	<u>2009</u>	<u>2008</u>
Loss before income taxes	\$ (2,143,815)	\$ (2,683,240)
Effective tax rate	30.0%	31.0%
Expected tax recovery	\$ (643,144)	\$ (831,805)
Deductible items	(32,292)	(6,868)
Non-deductible items	403,635	1,003,281
Differences in tax rates	(15,874)	(11,989)
Change in valuation allowance	287,675	(152,619)
	<u>\$ -</u>	<u>\$ -</u>

Future income tax assets are calculated as follows:

	<u>2009</u>	<u>2008</u>
Future income tax assets relate to:		
Loss carryforwards	\$ 652,000	\$ 197,000
Accumulated mineral property expenditures	494,000	759,000
Capital assets and other	-	10,000
Financing costs	213,000	22,000
	<u>\$ 1,359,000</u>	<u>\$ 988,000</u>
Valuation allowance	(1,359,000)	(988,000)
	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2009, the Company has Canadian non-capital loss carry forwards of \$2,065,383 (2008: \$740,000) available to reduce income otherwise taxable in future years expiring through to 2029.

The potential tax benefits related to the loss carry forwards and other temporary differences, the application of which may be restricted, have not been recognized in these consolidated financial statements as management does not consider it likely that such assets will be realized in the carry forward period. Also, the availability of the above deductions for income tax purposes may be restricted if there are future changes in control.

14. 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 does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value

The carrying value of receivables, due from related parties, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. The fair value of notes payable is not determinable as the repayment date has not been specified (see Note 8(c) for details). Cash, which is classified as held for trading and carried at fair value, has been determined using Level 1 inputs (see Note 4).

(b) Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos. At December 31, 2009, approximately 49% of the Company's accounts payable and accrued liabilities and approximately 3% of the Company's cash is denominated in US dollars. As well, approximately 18% of the Company's accounts payable and accrued liabilities are denominated in Mexican pesos. The Company's cash denominated in Mexican pesos is negligible. The Company's net monetary position in both US dollars and Mexican pesos is not significant and therefore 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.

(c) 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 receivable due from the Federal Government of Canada and amounts due from related parties. 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.

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

(d) 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 assets or liabilities with variable interest rates.

(e) 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.

(f) 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.

16. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2009 included:

- i) The Company issued 670,588 common shares with a fair value of \$114,000 as share issue costs
- ii) The Company issued 19,259,900 common shares to settle accounts payable of \$93,594, loans payable of \$650,000 and convertible debt from related parties of \$230,000.
- iii) The Company applied \$177,600 of deferred financing fees to share issue costs and RTO costs.
- iv) The purchase of the net assets of LPT in relation to the recapitalization of the Company (Note 5).

Significant non-cash transactions for the year ended December 31, 2008 included:

- i) The Company settled debt of US \$87,500 through the issuance of 583,334 common shares with a fair value of \$40,833 and recorded a gain on settlement of debt of \$46,667.
- ii) The Company applied \$19,900 of deferred financing fees to share issue costs and incurred additional costs of \$154,600 through accounts payable at year-end.
- iii) The Company issued 987,410 units for share subscriptions of \$197,482 received on December 31, 2007.

LINCOLN MINING CORPORATION
(FORMERLY LPT CAPITAL LTD.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2009 and 2008

17. SEGMENTED INFORMATION

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

	Dec 31, 2009	Dec 31, 2008
Capital assets:		
Mexico	\$ 67,929	\$ 8,373
United States	21,109	-
Canada	2,943	3,306
	<u>91,981</u>	<u>11,679</u>

18. COMMITMENTS

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

2010 - \$59,172
2011 - \$53,544
2012 - \$53,853
2013 - \$56,948
2014 - \$57,567
2015 - \$ 9,595

- b) During the year, 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.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the Company:

- a) granted incentive stock options to directors, officers and consultants of the Company to purchase up to an aggregate of 1,600,000 common shares in the capital stock of the Company. The options are exercisable at a price of \$0.29 per share for a period from one to five years from the date of grant.
- b) issued 6,000,000 common shares to Almaden pursuant to the agreement to acquire 100% of the La Bufa property (Note 7(e)).
- c) entered into a lease agreement through its subsidiary Lincoln Gold US Corp., to acquire certain claims covering the Oro Cruz property in Imperial County, California (see Note 7(c)).