



LINCOLN MINING CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

	March 31 2012	December 31 2011
ASSETS		
Current		
Cash	\$ 30,039	\$ 47,977
Receivables (Note 4)	54,620	53,860
Prepaid expenses and deposits (Note 5)	95,921	110,900
	<u>180,580</u>	<u>212,737</u>
Equipment (Note 6)	10,374	12,246
Deposits (Note 5)	44,678	44,678
Mineral properties (Note 7)	2,592,680	2,592,680
	<u>\$ 2,828,312</u>	<u>\$ 2,862,341</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 564,076	\$ 386,739
Notes payable (Note 9)	54,375	20,000
Promissory note (Note 7(a)(iv))	145,352	145,145
	<u>763,803</u>	<u>551,884</u>
Promissory note (Note 7(a)(iv))	92,904	92,626
Provisions (Note 10)	64,942	66,105
	<u>921,649</u>	<u>710,615</u>
Equity		
Share capital (Note 12)	17,185,441	16,862,004
Commitment to issue shares (Note 7(a)(iv))	24,500	24,500
Reserves (Note 12)	1,008,228	995,937
Deficit	(16,311,506)	(15,730,715)
	<u>1,906,663</u>	<u>2,151,726</u>
	<u>\$ 2,828,312</u>	<u>\$ 2,862,341</u>

Nature and continuance of operations (Note 1)
Commitments (Note 16)

Approved and authorized by the Board on May 29, 2012.

<u>“Paul Saxton”</u> Paul Saxton	Director	<u>“Andrew Milligan”</u> Andrew Milligan	Director
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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, 2012	Three Months Ended March 31, 2011
EXPLORATION EXPENSES (Note 7)	\$ 322,254	\$ 303,394
ADMINISTRATIVE EXPENSES		
Administrative support	33,981	32,835
Depreciation	1,872	2,584
Consulting fees	59,947	105,883
Gain on foreign exchange	2,184	(1,259)
Interest expense	6,534	6,839
Investor relations	18,287	83,328
Management fees	27,000	27,189
Office	49,167	58,693
Professional fees	27,403	62,884
Regulatory and shareholder services	10,713	11,109
Share-based compensation (Note 12(d))	21,338	110,126
Travel and entertainment	17,635	72,719
	<u>598,315</u>	<u>876,324</u>
OTHER INCOME (EXPENSES)		
Interest income	<u>128</u>	<u>844</u>
	<u>128</u>	<u>844</u>
Loss and comprehensive loss for the period	<u>\$ (598,187)</u>	<u>\$ (875,480)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>94,918,511</u>	<u>83,227,027</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, 2012	Three Months Ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (598,187)	\$ (875,480)
Items not affecting cash:		
Depreciation	1,872	2,584
Share-based compensation	21,338	110,126
Accrued interest expense	6,534	6,839
Unrealized gain – foreign exchange	(5,337)	(8,134)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(760)	18,928
Decrease (increase) in prepaids and deposits	14,979	(10,487)
Increase (decrease) in accounts payable and accrued liabilities	177,337	(31,297)
Net cash used in operating activities	(382,224)	(786,921)
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of shares for cash	358,050	16,250
Share issue costs	(26,264)	
Note issued for cash	32,500	
Net cash provided by financing activity	364,286	16,250
Change in cash for the period	(17,938)	(770,671)
Cash, beginning of period	47,977	1,137,006
Cash, end of period	\$ 30,039	\$ 366,335
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 15)

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 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
Balance at December 31, 2011	92,610,203	\$ 16,862,004	\$ 995,937	\$ 24,500	\$ (15,730,715)	\$ 2,151,726
Private placements	4,774,000	358,050	-	-	-	358,050
Share issue costs	-	(26,264)	-	-	-	(26,264)
Share issue costs – finder’s warrants	-	(8,349)	8,349	-	-	-
Share-based compensation	-	-	21,338	-	-	21,338
Reclassification on expiry of options	-	-	(17,396)	-	17,396	-
Loss for the period	-	-	-	-	(598,187)	(598,187)
Balance at March 31, 2012	97,384,203	\$ 17,185,441	\$ 1,008,228	\$ 24,500	\$ (16,311,506)	\$ 1,906,663

* 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, 2012

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. These uncertainties may cast significant doubt on the entity’s ability to continue as a going concern.

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

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and follow the same accounting policies applied and disclosed in the Company’s financial statements for the year ended December 31, 2011. These unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2011, as they do not include all the disclosures required by accounting principles generally accepted in Canada for complete financial statements.

The Company has not generated revenues from its operations to date. The Company currently has working capital deficit of \$583,223. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company will continue to have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION (CONT'D)

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.

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 11).

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 depreciation of equipment, valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of mineral properties

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

2. BASIS OF PREPARATION (CONT'D)

Use of Estimates (cont'd)

Income taxes

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

Depreciation for equipment

Depreciation expense is allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of comprehensive loss.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

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.

Financial liabilities (cont'd)

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

Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IFRS 6 and 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 future rehabilitation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. All of the Company's 23,113,569 (2010 – 32,586,869) options and warrants have been excluded from the calculation as they are anti-dilutive.

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 date of the statement of financial position.

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 does not recognize the asset.

New standards not yet adopted

The following standards have been issued but are not yet effective:

(i) Financial instruments

IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace *IAS 39 – Financial instruments: recognition and measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standards not yet adopted (cont'd)

financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) Consolidated financial statements

IFRS 10 – Consolidated financial statements was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier application is permitted.

(iii) Joint arrangements

IFRS 11 – Joint arrangements was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, while entities in the latter account for the arrangement using the equity method.

IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) Disclosure of interests in other entities

IFRS 12 – Disclosure of interests in other entities was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) Fair value measurement

IFRS 13 – Fair value measurement was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standards not yet adopted (cont'd)

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) Presentation of financial statements

IAS 1 – Presentation of financial statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

The Company is currently evaluating the impact of the above standards on its financial performance and financial statements disclosures but expects that such impact will not be material.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

4. RECEIVABLES

The Company's receivables consist of:

	March 31, 2012	December 31, 2011
HST/GST receivable	\$ 22,382	\$ 21,622
Accrued exploration recovery	32,238	32,238
Total	\$ 54,620	\$ 53,860

5. PREPAID EXPENSES AND DEPOSITS

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

	March 31, 2012	December 31, 2011
Prepaid insurance	\$ 12,729	\$ 25,086
Advances	7,077	5,086
Supplier deposits and retainer fees	76,115	80,728
Total	\$ 95,921	\$ 110,900

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

	March 31, 2012	December 31, 2011
Premises lease deposit	\$ 15,928	\$ 15,928
Restricted short-term investment	28,750	28,750
Total	\$ 44,678	\$ 44,678

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. EQUIPMENT

	Computer equipment	Computer software	Mining equipment	Office equipment	Vehicles	Total
Cost						
Balance, January 1, 2011	\$ 9,900	\$ 1,345	\$ 11,804	\$ 5,400	\$ 22,211	\$ 50,660
Additions	1,343	-	-	-	-	1,343
Balance, December 31, 2011	11,243	1,345	11,804	5,400	22,211	52,003
Balance, March 31, 2012	\$ 11,243	\$ 1,345	\$ 11,804	\$ 5,400	\$ 22,211	\$ 52,003
Accumulated depreciation						
Balance, January 1, 2011	\$ 8,180	\$ 1,345	\$ 10,627	\$ 4,247	\$ 7,404	\$ 31,803
Depreciation	803	-	1,177	422	5,552	7,954
Balance, December 31, 2011	8,983	1,345	11,804	4,669	12,956	39,757
Depreciation	377	-	-	106	1,389	1,872
Balance, March 31, 2012	\$ 9,360	\$ 1,345	\$ 11,804	\$ 4,775	\$ 13,345	\$ 41,629
Carrying amounts						
As at December 31, 2011	\$ 2,260	\$ -	\$ -	\$ 731	\$ 9,255	\$ 12,246
As a March 31, 2012	\$ 1,883	\$ -	\$ -	\$ 625	\$ 7,866	\$ 10,374

7. MINERAL PROPERTIES

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

	Mexico	United States	Total
	La Bufa	Pine Grove	
Mineral properties			
Balance, January 1, 2011	\$ 1,833,153	\$ 696,360	\$ 2,529,513
Environmental provision costs capitalized during the year (Note 10)	-	63,167	63,167
Balance, December 31, 2011	1,833,153	759,527	2,592,680
Environmental provision costs capitalized during the year (Note 10)	-	-	-
Balance, March 31, 2012	\$ 1,833,153	\$ 759,527	\$ 2,592,680

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE THREE MONTHS ENDED MARCH 31, 2012

7. MINERAL PROPERTIES (CONT'D)

During the period ended March 31, 2012, the Company incurred exploration expenditures as follows:

	United States		United States	Mexico	Mexico	Total
	Pine Grove	Oro Cruz	Oro Cruz Elgin	La Bufa	La Bufa Elgin	
Exploration and related expenditures						
Option, lease and advance royalty payments	\$ -	\$ 75,162	\$ -	\$ -	\$ -	\$ 75,162
Contractors	17,747	-	41,733	21,000	27,544	108,024
Drilling and metallurgical	364	-	-	-	119,424	119,788
Field supplies	-	-	139	-	3,149	3,288
General administration	-	-	995	-	17,509	18,504
Geochemistry	-	-	-	-	702	702
Insurance	-	-	-	-	1,435	1,435
Land maintenance	-	-	-	-	9,316	9,316
Permitting environment	5,393	-	-	-	-	5,393
Property evaluations	-	-	-	-	(26,178)	(26,178)
Travel and accommodation	-	-	-	-	6,020	6,020
Vehicle operating	-	-	-	-	800	800
Total mineral property expenditures	\$ 23,504	\$ 75,162	\$ 42,867	\$ 21,000	\$ 159,721	\$ 322,254

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

	United States			Mexico	Total
	Pine Grove	Oro Cruz	Other	La Bufa	
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

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.

7 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 is being developed. The Company must pay an NSR of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% NSR on metals or minerals other than gold produced and sold from the properties.

The following non-refundable advance NSR payments must be made by the Company:

- US\$10,000 upon signing the agreement (paid); and
- US\$30,000 prior to each one year anniversary of the lease (Years 1, 2, 3 and 4 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.

7. 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, 3 and 4 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; (incurred)
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, a 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 has paid an additional US\$150,000 in July 2011.

- iv) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors 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 (incurred)
August 23, 2012	US\$150,000 and 100,000 shares
August 23, 2013	US\$100,000

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7. 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 250,000 shares have been valued at \$0.185 per share totaling \$46,250. In August, 2011, the Company issued 150,000 shares with a value of \$21,750 and reduced the commitment accordingly. 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, 2012	December 31, 2011
Value at issuance	\$ 361,685	\$ 361,685
Accretion interest	41,632	36,973
Payment	(143,295)	(143,295)
Changes in exchange rates	(21,766)	(17,592)
	<u>238,256</u>	<u>237,771</u>
Less: current portion	(145,352)	(145,145)
	<u>\$ 92,904</u>	<u>\$ 92,626</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.

(b) Oro Cruz Property, California

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

- US\$50,000 on the execution date of the agreement (paid)
- US\$50,000 by February 22, 2011 (paid)
- US\$75,000 by February 22, 2012 (paid)
- US\$75,000 by February 22, 2013
- 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.

7. **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 November 2009, the Company entered into 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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7. MINERAL PROPERTIES (CONT'D)

Mexico (cont'd)

(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 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. 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 \$1,380,500 to date from Elgin pursuant to this agreement, which has been fully spent.

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

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

	March 31, 2012	December 31, 2011
Trade payables	\$ 516,576	\$ 345,239
Accrued liabilities	41,500	41,500
	<hr/>	<hr/>
Total	\$ 558,076	\$ 386,739

9. NOTES PAYABLE

In February 2012, the Company received loan proceeds of \$32,500 from a director of the Company bearing an interest rate of 5% per annum.

In October 2011, the Company received loan proceeds of \$20,000 from a director of the Company bearing an interest rate of 5% per annum.

During the three months ended March 31, 2012, the Company accrued an interest expense of \$1,875 in connection with the loans.

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10. 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 pre-tax risk-free rate of 4.4% and is summarized as follows:

	March 31, 2012	December 31, 2011
Provision for environmental rehabilitation		
Beginning balance	\$ 66,105	\$ -
Additions	-	63,167
Changes in exchange rates	(1,163)	2,938
Total	\$ 64,942	\$ 66,105

During the three months ended March 31, 2012 and the year ended December 31, 2011, there was no significant finance cost relating to the accretion of the provision.

11. 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:

As at March 31, 2012, the Company owed \$77,906 (December 31, 2011 - \$13,143) to the VP of Exploration, Vice President of Operations, and various directors, which is included in accounts payable.

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11. RELATED PARTY TRANSACTIONS (CONT'D)

The remuneration of directors and key management personnel during the three months ended March 31, 2012 and 2011 are as follows:

	2012	2011
Directors fees	\$ 15,000	\$ 12,000
Management fees	27,000	27,000
Exploration fees	27,302	26,903
Consulting fees	62,864	62,383
Share-based compensation (i)	16,470	69,462
	\$ 148,636	\$ 197,748

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

12. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at March 31, 2012, 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, 2012, the Company issued a total of 4,774,000 units at a price of \$0.075 per unit for total proceeds of \$358,050. 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 \$0.10 per share until February 17, 2013. As compensation, the Company issued a total of 394,440 Finder's Warrants which entitles the holder to acquire one common share of the Company at a price of \$0.075 per share until February 17, 2013.

During the year ended December 31, 2011, the Company:

1. i) Issued a total of 909,090 units at a price of \$0.11 per unit for total proceeds of \$100,000. Each unit is comprised of one common share of the Company and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.22 per share until December 21, 2013. No commissions or finder's fees were paid in connection with the private placement.
- ii) Issued a total of 2,228,020 units at a price of \$0.10 per unit for total proceeds of \$222,802. 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 \$0.22 per share until November 4, 2013. Each finders warrant entitles the holder to acquire one common share of the Company at a price of \$0.22 per share until November 4, 2013. In connection with the private placement, the Company issued a total of 71,961 finders warrants with a value of \$2,074 and paid a total of \$13,603 in cash commissions and other costs.

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12. SHARE CAPITAL AND RESERVES (CONT'D)

b) Issued share capital (cont'd)

iii) In June, 2011, the Company issued a total of 6,086,177 units at a price of \$0.17 per unit for total proceeds of \$1,034,650. 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 for two years.

Each finders warrant entitles the holder to acquire one common share of the Company at a price of \$0.35 per share for two years. In connection with the private placement, the Company issued a total of 369,600 finders warrants with a value of \$53,432 and paid a total of \$100,967 in cash commissions and other costs.

The following weighted-average assumptions were used for the Black-Scholes valuation of finders warrants granted above during the three months ended March 31, 2012:

	2012
Risk-free interest rate	1.09%
Expected life of options	1.0 years
Forfeiture rate	1.59%
Annualized volatility	83.02%
Dividend rate	0.00%

During the year ended December 31, 2011, the Company issued 150,000 shares at a value of \$21,750 towards a commitment to issue shares with respect to the Pine Grove property (Note 7(a)).

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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12. SHARE CAPITAL AND RESERVES

c) Stock options (cont'd)

As at March 31, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
100,000	0.35	July 5, 2012
125,000	0.23	April 4, 2013
3,950,000	0.19	September 29, 2014
300,000	0.29	January 28, 2015
1,000,000	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
600,000	0.19	July 5, 2016
<u>7,825,000</u>		

Stock option transactions are summarized as follows:

	Three months ended March 31, 2012	
	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	8,075,000	\$0.21
Expired	(250,000)	0.26
Balance, end of period	7,825,000	0.21
Options exercisable, end of period	6,862,500	\$0.21

d) Options – Share-based compensation

During the three months ended March 31, 2012, the Company granted nil (March 31, 2011 – 250,000) stock options with a fair value of \$nil (March 31, 2011 - \$0.07) per option. During the three months ended March 31, 2012, 250,000 (March 31, 2011 – 250,000) options expired unexercised. The Company recorded \$21,338 (March 31, 2011 - \$110,126) as share-based compensation for options vested during the three months ended March 31, 2012.

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12. 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:

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

e) Warrants

As at March 31, 2012, the Company had outstanding warrants, enabling the holders to acquire further common shares as follows:

9,112,115	\$0.35	June 1, 2012
3,110,589	0.35	June 14, 2013
302,100	0.35	June 16, 2013
1,185,971	0.22	November 4, 2013
2,781,440	0.10	February 17, 2013
454,544	0.22	December 21, 2013
<u>16,946,759</u>		

Warrant transactions are summarized as follows:

	Three months ended March 31, 2012	
	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	15,038,569	\$ 0.34
Granted	2,781,440	0.10
Cancelled	(873,250)	0.35
Balance, end of period	<u>16,946,759</u>	<u>\$ 0.30</u>

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13. 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, 2012	Dec 31, 2011
Non-current assets:		
Mexico	\$ 1,833,153	\$ 1,833,153
United States	768,882	770,492
Canada	45,697	45,959
	<u>2,647,732</u>	<u>2,649,604</u>

14. 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, note 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, 2012, the Company had a net monetary liability position of US\$324,933 and a net monetary liability of \$350,509 Mexican pesos. Each 10% change in the US dollar and Mexican peso relative to the Canadian dollar will result in a foreign exchange gain/loss of \$32,500 and \$2,700 respectively. 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 HST/GST 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.

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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.

15. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the period ended March 31, 2012 consisted of the Company issuing 394,440 finder's warrants valued at \$8,349 as part of the February 2012 financing (Note 12 (b)).

The significant non-cash investing and financing transactions during the period ended March 31, 2011 consisted of the Company issuing 6,000,000 common shares valued at \$1,770,000 pursuant to the La Bufa agreement (Note 8(c)).

16. 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, 2012 are as follows:

2012 - \$40,390
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.



FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF MAY 29, 2012 TO ACCOMPANY THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE QUARTER ENDED MARCH 31, 2012.

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 quarter ended March 31, 2012, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

First Quarter 2012 in Review

The first quarter of 2012 was a carryover from the end of 2011 with the capital markets being very risk adverse for junior mining companies. Notwithstanding this, the Company closed a private placement of \$358,050 during the first quarter.

As a result the Company's activities were limited and restricted. While some funds were raised during the quarter, it was not enough to make significant strides on advancing our projects. The Elgin Mining Inc. funding agreement for the La Bufa and Oro Cruz projects is under review and it is expected that the process will be completed by our next quarterly report.

The Company will continue to develop its exploration strategies with a view to maximizing shareholder value and focusing on its long term goal to build 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.

Overall Performance and Description of Business

Lincoln is an exploration/development 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 Chihuahua, Mexico. The Company is a reporting issuer in British Columbia and Alberta. Lincoln Mining Corporation is a British Columbia corporation.

LINCOLN MINING CORPORATION

This is now the eleventh 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 for the first quarter of 2012 were raising capital and advancing its three projects (see "Project Summaries and Activities" for greater detail).

Results of Operations

Results of Operations – For the three months ended March 31, 2012

For the three months ended March 31, 2012, the Company incurred a loss of \$598,187 (2011: \$875,480). Significant expenses included net exploration expenses of \$322,254 (2011: \$303,394); consulting fees of \$59,947 (2011: \$105,883); investor relations costs of \$18,287 (2011: \$83,328); professional fees of \$27,403 (2011: \$62,884) and share-based compensation of \$21,338 (2011 - \$110,126).

Summary of Quarterly Results:

<u>2012 Quarterly Results:</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
	IFRS	IFRS	IFRS	IFRS
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	-	-	-	(598,187)
Basic and diluted loss per share	-	-	-	(0.01)
Total assets	-	-	-	2,828,312
Working Capital	-	-	-	(583,223)
<u>2011 Quarterly Results:</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
	IFRS	IFRS	IFRS	IFRS
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	(455,771)	(764,996)	(540,933)	(875,480)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Total assets	2,862,341	3,018,183	4,289,543	3,114,819
Working capital (deficiency)	(339,147)	(155,411)	568,397	134,497
<u>2010 Quarterly Results:</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
	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

* 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.

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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.

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 (which has now been completed). 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 followed by US\$150,000, in August 2011 and to be followed by US\$150,000, and US\$100,000 over the next two 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 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.

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Renewed reverse-circulation drilling commenced on July 26, 2010 and 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. Additional reverse-circulation drilling is planned on the Wilson patented claims. Drill pads have been constructed for 15 holes.

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

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 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 completed a technical report dated March 16, 2011, which is compliant with Canadian National Instrument 43-101. The report was filed on SEDAR (www.sedar.com) on March 21, 2011, under the Company's profile. The updated technical 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 gold.

Teleso Nevada Inc. in Reno, Nevada completed a preliminary economic assessment (PEA) dated September 8, 2011, which is compliant with Canadian National Instrument 43-101. The report was filed on SEDAR (www.sedar.com) on December 14, 2011. The combined gold resources of the Wilson and Wheeler gold deposits are reported below. Approximately 67% is measured and 33% is indicated.

**Total Measured and Indicated Gold Resources at Pine Grove
At 0.007 opt Au cutoff (as at December 8, 2011)**

Category	Tons (000s)	Cutoff Grade Gold (opt)	Average Gold Grade (opt)	Contained Ounces Gold
Measured	4,043	0.007	0.035	141,500
Indicated	2,012	0.007	0.031	62,400
Measured + Indicated	6,055	0.007	0.034	203,900

At a 0.007 opt gold cutoff grade, **Inferred Resources** are reported at 1,596 tons grading 0.027 opt gold containing 43,100 ozs gold. The Wilson deposit is not drilled off and is open in several directions.

The combined gold resources that fall within a pit shell with at a gold price of US\$1425 are reported in the table below. Approximately 81% is measured and 19% is indicated. These resources are potentially mineable in two separate pits, the Wilson and the Wheeler.

**Measured and Indicated Resources within Pit Shell
At 0.007 opt Au cutoff and \$1,425 per oz gold (as at December 8, 2011)**

Category	Tons(000s)	Cutoff Grade Gold (opt)	Average Gold Grade (opt)	Contained Ounces Gold
Measured	2,806	0.007	0.041	115,100
Indicated	663	0.007	0.046	30,200
Measured + Indicated	3,469	0.007	0.042	145,300

Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Lincoln plans to advance Pine Grove to production. Advancement requires additional metallurgy, waste rock characterization, condemnation drilling, geotechnical drilling and continued permitting. Some form of financing is required to advance the project to production.

Lincoln Mining and Elgin Mining Inc. Exploration Financing Agreement (Oro Cruz & La Bufa)

On March 31, 2011, the Company announced that it had entered into an option agreement (the "Agreement") granting Elgin Mining Inc. ("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\$1,380,500 to date from Elgin pursuant to this agreement and incurred exploration and capital

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expenses of \$1,412,080 for the year ended December 31, 2011. Operational and funding delays have necessitated a review of the agreement, which process is currently underway.

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 increases 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 encompasses 151 lode claims comprising approximately 3,000 acres.

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
Inferred	0.01	7,860,000	0.050	376,600

Tetra Tech recommended a twin-hole drilling program to validate the deposit and upgrade the resource category. Lincoln plans to eventually drill approximately 28 twin holes plus additional oriented core holes for geotechnical purposes. Tetra Tech also recommended bulk density testing, preliminary metallurgic test work, location of a suitable water and power source, and baseline environmental studies.

In an effort to expand down-dip gold mineralization, Lincoln plans to drill nine deep exploration holes on strike and to the southwest of the main Oro Cruz gold deposit. Average hole depth is estimated at 1,300 ft with the target zone ranging from 600 to 1,100 ft below the surface. The target zone is about 300 ft wide and dips from 17° to 25°. Initial drilling will begin at the last "fence" of holes drilled by MK Gold where the target is the shallowest. Upper portions of the nine holes will be drilled by reverse-circulation methods (7,500 ft) and the lower portions will be drilled by core (4,300 ft). In 2011, the Company hired Sonoran Resources, LLC of Somerton, Arizona to design drill roads in steep terrain for the down-dip drilling. Lincoln also plans to drill approximately 23 holes to validate the deposit and upgrade the resource categories plus four geotechnical

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holes to determine future pit wall stability. These holes will be drilled in the immediate vicinity of the existing Oro Cruz pit. The location of these holes has been determined by engineers at Tetra Tech in Denver, Colorado.

Lincoln plans to advance the Oro Cruz project as soon as new funding can be secured. To assist in permitting, Lincoln has retained Richard Grabowski, consultant and past Deputy State Director, Energy and Minerals, for the BLM in California (1997-2010).

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 gold-silver 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. AuRico Gold Inc. (formerly Gammon Gold Inc.) presently controls the concessions that cover the historic mine. AuRico 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.A. 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 concession which is an internal claim within the larger La Bufa concession. Lincoln also controls various surface agreements with individuals, ejidos, and the town of Guadalupe y Calvo which allows the Company drill access.

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. Previous drilling by Grid Capital Corp. in 2004 within the same general area also had good drill intercepts. Drilling results in the southern area suggest that significant gold-silver mineralization occurs primarily in the shallower portions of the vein system.

Lincoln 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 in the northern portion of the La Bufa Property. The Company contracted Perforaciones Corebeil SA de CV of Mazatlan to conduct the core drilling program which commenced on July 14, 2011 and was completed on November 29, 2011. Drilling began with hole LB-13 and was completed with hole LB-32 for a total of 5,091.80 m with an average hole depth of 254.6 m. All holes were drilled at angles ranging from -45° to -75°. Hole depths ranged from 151.50 to 787.50 m. Core recovery was excellent. All assays have been received. Drill hole intercepts reported here are apparent and do not represent true thicknesses. Detailed assay results can be found on our website, in the La Bufa Property section.

Anomalous gold-silver mineralization is widespread and was encountered by the drilling program in multiple stockwork, breccia, and vein zones. Two to six quartz-bearing zones are present in most drill holes. Stockwork zones are prevalent and are commonly 9 to 20+ m in apparent thickness. The thickest stockwork intercept is 55 m (not true thickness). Most gold assays range from no detection to continuous down-hole strings of 0.0X and 0.X gpt gold. The best gold intercept is in hole LB-22 which hit 4.38 gpt gold attended by 11.6 gpt silver from 179.5 to 181.0 m (1.5 m; not true thickness) hosted in Tertiary andesite with quartz veinlets. Silver values are commonly in continuous down-hole strings of less than 1 gpt punctuated with higher values running 1 to 4+ gpt. The best silver intercept is in hole LB-23 which hit 249 gpt silver attended by 0.481 gpt gold from 116.5 to 118.0 m (1.5 m; not true thickness) hosted in Tertiary andesite with quartz veinlets. Base metals (Cu, Pb, Zn) are commonly associated with ore-grade gold-silver mineralization within the district. The lack of significant base

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metals in the drill assays suggests that ore-grade gold-silver mineralization maybe deeper in the system. Follow-up drilling is warranted. Continued exploration will require new funding.

The La Bufa Property surrounds the GyC property currently owned by AuRico Gold Inc. AuRico has previously announced Indicated and Inferred resources on its GyC property.

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 97,384,203 were issued and outstanding as at the date of this report.

The Company has outstanding a total of 16,946,759 full share equivalent warrants outstanding as at the date of this report at prices from \$0.075 to \$0.35 per share and 7,825,000 options with exercise prices from \$0.19 to \$0.35.

Related Party Transactions

The remuneration of directors and key management personnel during the three months ended March 31, 2012 and 2011 are as follows:

	2012	2011
Directors fees	\$ 15,000	\$ 12,000
Management fees	27,000	27,000
Exploration fees	27,302	26,903
Consulting fees	62,864	62,383
Share –based compensation	16,470	69,462
	\$ 148,636	\$ 197,748

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

In February 2012, the Company received loan proceeds of \$32,500 from a director of the Company bearing an interest rate of 5% per annum.

In October 2011, the Company received loan proceeds of \$20,000 from a director of the Company bearing an interest rate of 5% per annum.

During the three months ended March 31, 2012, the Company accrued an interest expense of \$1,875 in connection with the loans.

Liquidity and Solvency

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

As at	March 31, 2012	December 31, 2011
Cash	\$ 30,039	\$ 47,977
Working capital (deficiency)	(583,223)	(339,147)
Long-term debt	92,904	92,626
Period Ended	March 31, 2012	December 31, 2011
Cash used in operating activities	\$ 382,224	\$ (2,223,523)
Cash used in investing activities	-	(1,343)
Cash provided by financing activities	364,286	1,135,837
Change in cash	\$ (17,938)	\$ (1,089,029)

During 2011, the Company received \$1,380,500 as payment arising out of the agreement with Elgin (see "Elgin Agreement") for greater detail on the agreement). These amounts have been 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 in June 2011, 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 369,600 Finders Warrants, with a value of 55,506 and paid a total of \$100,967 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.

On August 23, 2011, the Company issued 150,000 shares in connection with the Cavanaugh property purchase agreement.

On November 4, 2011, the Company issued a total of 2,228,020 units at a price of \$0.10 per unit ("Units") for total proceeds of \$222,802. 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 \$0.22 per share until November 4, 2013. One insider subscribed for 150,000 Units for total proceeds of \$15,000.

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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 ("Finder's Warrants") equal to 7% of the total number of Units sold to persons introduced to the Company by the Finder. Each such warrant will entitle the holder to acquire one common share of the Company at a price of \$0.22 per share until November 4, 2013. At the closing of the private placement, the Company issued a total of 71,961 Finder's Warrants with a value of \$2,074 and paid a total of \$7,353 in cash commissions.

All securities issued under the private placement will be subject to a four month hold period in Canada expiring on March 5, 2012, in addition to such other restrictions as may apply under applicable securities laws of jurisdictions outside Canada.

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

On December 21, 2011, the Company issued a total of 909,090 units at a price of \$0.11 per unit ("Units") for total proceeds of \$100,000. Each Unit is comprised of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.22 per share until December 21, 2012. No commissions or finder's fees were paid in connection with the private placement. All securities issued are subject to a four month hold period in Canada expiring on April 22, 2012, in addition to such other restrictions as may apply under applicable securities laws of jurisdictions outside Canada. A director of the Company purchased 445,454 Units under the private placement.

During the three months ended March 31, 2012, 4,774,000 units ("Units") were issued at a price of \$0.075 per Unit for total proceeds of \$358,050. 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 \$0.10 per share until February 17, 2013. A director of the Company purchased 200,000 Units under the private placement.

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

Pursuant to a premises lease agreement expiring in February 2015, the Company's annual minimum commitments are as follows:

2012 - \$40,390
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

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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.

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 12 (c) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012. 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.

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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 following standards have been issued but are not yet effective:

(i) Financial instruments

IFRS 9 – Financial instruments was issued by the IASB in October 2010 and will replace *IAS 39 – Financial instruments: recognition and measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) Consolidated financial statements

IFRS 10 – Consolidated financial statements was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier application is permitted.

(iii) Joint arrangements

IFRS 11 – Joint arrangements was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, while entities in the latter account for the arrangement using the equity method.

IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) Disclosure of interests in other entities

IFRS 12 – Disclosure of interests in other entities was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) Fair value measurement

IFRS 13 – Fair value measurement was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be

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- measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) Presentation of financial statements

IAS 1 – Presentation of financial statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

The Company is currently evaluating the impact of the above standards on its financial performance and financial statements disclosures but expects that such impact will not be material.

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.

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, 2012, the Company had a net monetary liability position of US\$324,933 and a net monetary liability of \$350,509 Mexican pesos. Each 10% change in the US dollar and Mexican peso relative to the Canadian dollar will result in a foreign exchange gain/loss of \$32,500 and \$2,700 respectively.

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

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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.

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.

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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 remain strong during 2012.

Outlook

The outlook for precious metals continues to improve. The various options for financing the Company's projects is increasing and this should 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. Lincoln management believes that the Company is on its way to becoming a new junior gold-silver producer in stable counties 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 actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.