



## FORM 51-102F1

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF APRIL 21, 2010 TO ACCOMPANY THE AUDITED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE “COMPANY” OR “LINCOLN”) FOR THE YEAR ENDED DECEMBER 31, 2009.**

**This discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2009 and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.**

**This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of Lincoln Mining Corporation. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undo reliance on these forward-looking statements. See additional comments and discussion under Risks and Uncertainties in this MD&A.**

### **Overview of 2009**

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2009 was a very significant year for the Company. The Company began the year with a working capital deficiency of \$2,517,729 and debt totaling \$2,527,900.

On August 18, 2009, the Company closed the merger discussed under ‘Qualifying Transaction’, completed a private placement resulting in gross proceeds of \$4.97 million and settled debt in the amount of \$973,593 through the issuance of shares. (See notes 5 and 9 of the December 31, 2009 audited consolidated financial statements.)

The merger also resulted in the Company’s stock being listed on the TSX Venture Exchange and the Company cancelling its Over the Counter Bulletin Board (“OTCBB”) listing in the United States.

The positive working capital achieved through the private placement and debt settlement has allowed the Company to proceed with three key programs:

- Conduct a drilling program at the Pine Grove Property;
- Acquire the Oro Cruz Property;
- Conduct a geophysical program at the La Bufa Property.

The results of these programs are discussed under ‘Project Summaries and Activities’ in this document. The Company concluded 2009 with positive working capital of \$1,548,889 and with definitive plans to move each of its three projects forward.

The Company’s goal is to become a gold producer and Company management believes that its two advanced properties, the Pine Grove and the Oro Cruz, will be able to bring this goal to fruition in the near term. The Company’s third project, the La Bufa Property in Mexico, is not as far advanced but holds significant potential.

### **Qualifying Transaction (the “Merger”)**

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On October 7, 2008, the Company (formerly LPT Capital Ltd.) entered into a letter agreement with Lincoln Gold Corporation (“Lincoln Gold”), a company incorporated under the Canada Business Corporations Act and a registrant in the United States under the Securities and Exchange Act of 1934 and a reporting issuer in British Columbia, to acquire 100% of the issued and outstanding common shares of Lincoln Gold Corporation (“Lincoln Gold”). Lincoln Gold’s common shares traded on the OTCBB in the United States. This acquisition and the transactions related thereto (collectively, the “Acquisition”) constituted the Company’s Qualifying Transaction. Lincoln Gold, the Company and the Company’s subsidiary, 0843037 B.C. Ltd., entered into arrangement agreements, dated January 15, 2009 and July 8, 2009, as amended, (collectively the “Arrangement Agreement”) which superseded the letter agreement referred to above.

On August 18, 2009, the Company closed the Merger, which was subsequently accepted by TSX Venture Exchange for filing the Company’s Qualifying Transaction described in the Information Circular dated January 19, 2009. As a result, at the opening on August 21, 2009, the Company was no longer considered a Capital Pool Company and the shares of the Company traded under the new symbol “LMG”.

Concurrent with the closing of the Merger on August 18, 2009, the Company completed a private placement of units (on a post-consolidated basis) to raise gross proceeds of \$4.97 million, through the issue of 29,255,057 units at a price of \$0.17 per unit. Each unit consists of one post-consolidated common share of the Company and one-half of one warrant, with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.25 until August 18, 2011. The securities issued under the private placement were subject to a four-month hold period in Canada expiring on December 19, 2009, in accordance with applicable Canadian laws and the policies of the exchange. The Company also settled debt in the amount of \$973,593 through the issue of 19,259,900 shares.

In connection with the closing of the private placement, finders’ fees totaling \$232,589 in cash and 670,588 shares of the Company were payable, representing 8 percent of the funds introduced by the finders to the Company.

Prior to the closing of the Merger, the Company completed a share consolidation, effective August 17, 2009, on the basis of one new share for every 1.5 pre-consolidation shares, and changed its name from LPT Capital Ltd. to Lincoln Mining Corporation.

Pursuant to the completion of the plan of arrangement under the Merger, each shareholder of Lincoln Gold as at the close of business on August 17, 2009, was entitled to 0.31 of a post-consolidated share of the Company for each one share of Lincoln Gold. Aggregate consideration payable by the Company was 23,204,089 shares issued to the existing Lincoln Gold shareholders. Effective August 18, 2009, pursuant to the Merger, the Company acquired Lincoln Gold through the amalgamation of 0843037 B.C. Ltd. (a wholly-owned subsidiary of the Company) with Lincoln Gold.

The Company also issued 1,258,333 shares as a finder’s fee in connection with the Merger as disclosed in the above noted Information Circular. Subsequent to the Merger, the registration and trading in the United States was cancelled.

### **Overall Performance and Description of Business**

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

This is now the eighth year of exploration for Lincoln Mining. 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 has explored and has had joint ventures on some of its other properties in Nevada with no exploration success.

## LINCOLN MINING CORPORATION

The Company's main performance activities in 2009 have been the successful re-organization and financing, settlement of past debt, and the re-commencement of its exploration activities (see 'Project Summaries and Activities') for greater detail.

### Results of Operations

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#### **Results of Operations – For the year ended December 31, 2009**

For the year ended December 31, 2009, the Company incurred a loss of \$2,143,815 (2008: \$2,683,240). Significant expenses included exploration expenses of \$674,868 (2008: \$2,025,586) consulting fees of \$257,309 (2008: \$63,582 (see also 'Related Party Transactions'), interest expense of \$197,402 (2008: \$154,735), professional fees of \$179,206 (2008: \$279,136) and stock-based compensation of \$166,687 (2008 - \$nil).

A further significant cost was \$431,917 (2008: nil) incurred in connection with the merger with LPT Capital Ltd.

During the year the Company earned a modest amount of interest income of \$3,849 (2008: \$674) and experienced a gain on the settlement of various debts in the amount of \$166,899 (2008: \$46,667). These amounts were used to offset expenses incurred during the year.

It is important to note that there were many items incurred in 2009 that are not expected to recur in 2010. These would include:

Reverse takeover cost	431,917
Gain on settlement of debt	(166,899)
Interest expense	197,402

Costs for exploration will continue as the Company advances its exploration projects and the level of expenditures will vary depending on the financing the Company is able to arrange.

#### **Results of Operations – For the three months ended December 31, 2009**

For the three months ended December 31, 2009, the Company incurred a loss of (\$1,037,098) (2008: \$362,007). Significant expenses included exploration expenses of \$493,804 (2008: \$136,914), consulting fees of \$83,814 (2008: \$29,125) (see also 'Related Party Transactions'), interest expense of \$801 (2008: \$85,973), professional fees of \$104,904 (2008 - \$133,418) and stock-based compensation of \$165,731 (2008 - \$nil).

During the period the Company earned a modest amount of interest income of \$2,445 (2008: \$6).

During the fourth quarter, there were no unusual or non-recurring items. The operational activities for the fourth quarter were the exploration activities primarily at the Pine Grove Property where the Company was conducting a drill program to up-grade the resource calculation to meet NI 43-101 standards and the commencement of a geophysical program at the Company's La Bufa Property in Mexico. (See 'Project Summaries and Activities' for more detail).

#### **Selected Annual Information for the Year ended December 31, 2009**

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Year Ended	December 31, 2009	December 31, 2008	December 31, 2007
<b>Financial results:</b>			
Exploration expenses	674,868	2,025,586	343,137
Net loss for the year	(2,143,815)	(2,683,240)	(1,158,990)
Basic and diluted loss per share	(0.06)	(0.12)	(0.02)

LINCOLN MINING CORPORATION

Year Ended	December 31, 2009	December 31, 2008	December 31, 2007
<b>Balance sheet data:</b>			
Cash	1,761,227	1,553	123,201
Total assets	2,084,927	199,450	286,734
Accounts payable, advances, loans, and notes payable	406,373	2,527,900	310,897
Shareholders' equity (deficiency)	1,678,554	(2,328,450)	(24,163)
<b>Cash flow data:</b>			
Common share proceeds (gross)	4,973,360	325,918	812,986

The Company did not have any sales, discontinued operations, extraordinary items, and cash dividends during the year. Material factors affecting operations and mineral property expenditures are described elsewhere in this MD&A.

**Summary of Quarterly Results:**

<b>2009 Quarterly Results:</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(1,037,098)	(730,894)	(156,692)	(219,131)
Basic and diluted loss per share	(0.04)	(0.02)	(0.00)	(0.00)
Total assets	2,084,927	3,052,422	204,025	229,139
Working capital (deficiency)	1,548,889	2,421,226	(2,884,842)	(2,735,505)
<b>2008 Quarterly Results:</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
Revenue	-	-	-	-
Net loss	\$ (362,007)	\$ (154,656)	\$ (1,355,157)	\$ (831,420)
Basic and diluted loss per share	(0.00)	(0.00)	(0.02)	(0.02)
Total assets	199,450	37,152	83,812	137,457
Working capital (deficiency)	(2,517,729)	(1,981,478)	(1,799,642)	(625,967)

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

**Project Summaries and Activities**

**UNITED STATES**

**Pine Grove Gold Property, Lyon County, Nevada**

Pine Grove is the Company's flagship property and its main exploration and development focus. The property consists of the Wilson deposit and the nearby Wheeler deposit with exploration potential on intervening and surrounding ground. The Company intends to advance the project to production in 2011.

The Pine Grove gold property is located in the Pine Grove Hills, approximately 20 miles south 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 drainage and then 4 miles westward on a Forest Service dirt road to the property.

Pursuant to an agreement dated July 13, 2007, Lincoln entered into a mining lease with the Wheeler Mining Company, owner of the Wheeler patented millsite and lode claims (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 net smelter return royalty ranging from 3% at a gold price of US\$450 per oz to 7% at a gold price of US\$701 per oz. Under the terms of this agreement, Lincoln is obligated to deliver a feasibility study by December 31, 2010. Efforts are underway to buy down the production royalty.

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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% net smelter royalty at US\$100,000 per point.

Pursuant to an agreement dated August 1, 2007, Lincoln entered into a mining lease option with Lyon Grove LLC, owner of the Wilson patented 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 their entire interest in the property (except for the royalty described below) for the purchase price of \$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 net smelter return royalty 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 includes a 5% net smelter royalty payment on any new claims put into production. Efforts are underway to buy down the production royalty.

Subsequent to the signing of the aforementioned agreements, the Company staked 218 lode claims. The total property area now covers approximately 7 square miles.

Lincoln is presently negotiating for the purpose of 10 unpatented lode, placer and millsite claims controlled by the Estate of Wallace Cavanaugh. These claims fall within the resource area,

In November of 2009, the Company received new, detail topographic maps from aerial photography taken earlier in the year. The new maps provide an engineering quality base map for drilling, engineering, and mine planning.

Past drilling at Pine Grove includes 190 holes (68,102 ft) drilled by Tech Resources from 1989 to 1992 and four metallurgical core holes (799 ft) drilled by Lincoln in 2008. 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 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. Duplicate drill samples were collected and are stored in Yerington. Geological interpretation of all drill data is in progress. Lincoln has engaged Mine Development Associates (MDA) of Reno, Nevada to estimate an updated NI 43-101 compliant resource and scoping study.

Recent drilling on the Wilson deposit reveals that the deposit remains open to the northeast with a good chance to expand the deposit with additional drilling. Also, some new, narrow high-grade gold mineralization was encountered in the southwestern portion of the Wilson deposit to include:

Hole WL-80	200-205 ft (5 ft) @ 0.519 opt Au
	215-220 ft (5 ft) @ 0.385 opt Au
Hole WL-89	180-185 ft (5 ft) @ 0.820 opt Au
Hole WL-97	105-110 ft (5 ft) @ 1.170 opt Au

Drilling on the Wheeler yielded expected results and some new, narrow high-grade intercepts:

Hole WR-104	170-175 ft (5 ft) @ 2.250 opt Au
Hole WR-106	0-5 ft (5 ft) @ 0.638 opt Au
Hole WR-117	55-90 ft (5 ft) @ 2.270 opt Au

Soil geochemical surveys are planned in selected areas to better define new drill targets. New permitting will be required to access new drill targets that fall on Pine Grove claims under the jurisdiction of the U.S. Forest Service. Lincoln has contracted JBR Environmental Consultants in Reno, Nevada to expedite all exploration and development permitting.

## LINCOLN MINING CORPORATION

Five column leach tests were begun in February 2010 and remain in progress at McClelland Laboratories in Reno, Nevada. Leach material is mineralized core from the Wilson and Wheeler deposits. The five columns are testing 1-1/4 inch and 3/8 inch material.

There is no assurance that further exploration will result in a final decision that a commercially viable gold deposit exists on the Pine Grove Property. Lincoln anticipates that it will require additional financing in order to fully pursue full property exploration and completion of a feasibility study. There is no assurance that the Company will be able to obtain the necessary financing to bring the project to production.

### **Oro Cruz Gold Property, Imperial County, California**

The Oro Cruz gold property consists of 88 unpatented lode claims located in the Tumco mining district in the Cargo Muchacho Mountains, Imperial County, California. The property falls 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 falls on a portion of the Oro Cruz Property. Travel time from Yuma is approximately 25 minutes. Access on the property is via dirt BLM roads. Oro Cruz is 14 miles southeast of the Mesquite gold mine (in production; New Gold Inc.) and adjacent to the American Girl gold mine (past producer).

On February 22, 2009, 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 mineralization and a decline which 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 net smelter return royalty 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 0.5 point. 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 core Oro Cruz 20-acre claim block, Lincoln staked 68 contiguous lode claims in November of 2009. The entire land position encompasses 88 lode claims.

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

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

There are over 400 drill holes in the Oro Cruz Property. In 1999, prior to Canadian securities compliance requirements, gold resources were estimated by Mine Development Associates of Reno, Nevada. Indicated resources were estimated at 3,365,298 short tons grading 0.058 opt gold containing approximately 196,000 ozs gold using a 0.01 opt gold cutoff grade. An additional Inferred resource category at the same cutoff grade was estimated at 2,683,552 short tons with no grade assignment.

The main Oro Cruz gold deposit is an irregular, elongated, tabular zone that dips approximately 25° to the southeast from the open pit floor for at least 1,650 ft. Mineralized thicknesses are variable in multiple tens of feet. Lesser parallel zones of mineralization are present. The property contains 10 exploration targets which remain untested.

In early 2010, Lincoln contracted Tetra Tech of Golden, Colorado to estimate a "historic-compliant resource" based on NI 43-101 criteria. Work remains in progress.

## LINCOLN MINING CORPORATION

In March of 2010, the Oro Cruz decline was entered and inspected by Atkinson Underground LP of Golden, Colorado. The inspection revealed that the decline is in good condition and that airflow is good. Lincoln plans to refurbish the decline to access the underground workings for exploration and development drilling. The deepest hole down dip from the pit is reported to contain 60 ft grading 0.4 opt gold (not true thickness).

Lincoln believes that the Oro Cruz gold property has near-term potential to be expanded and developed into a producing gold mine via open-pit and underground mining.

### **Hannah Property, Churchill County, Nevada**

The Hannah gold-silver property is located approximately 55 miles east of Reno, Nevada in the southern portion of the Trinity Range north of Interstate 80 freeway. Access is excellent eastward from Reno on I-80 to the Hot Springs Road turnoff and then northward on dirt roads to the property.

The Company held the property with a Mining Lease with Susan and Larry McIntosh dated December 24, 2003. In the past, Lincoln conducted various exploration programs including a reverse-circulation drilling program to test geochemical targets. Owing to modest exploration results, the Company attracted Enexo International to enter into an Option to Joint Venture in February of 2009. Enexo conducted a small core drilling program with no significant results and terminated their option in November 2009. Owing to Lincoln's focus on advanced-stage projects and modest exploration results at Hannah, the Company decided to terminate the Hannah Mining Lease and return the property to its owner.

## **Mexico**

### **La Bufa Gold-Silver Property, Chihuahua, Mexico**

The La Bufa gold-silver property is located in the Sierra Madre Occidental in the far southwestern corner of the State of Chihuahua, Mexico, near the small town and mining district of Guadalupe y Calvo, La Bufa is comprised of four mining concessions totaling 2,311.1 hectares (5,711 acres) which cover much of the northwest-trending zone of mineralization. The Company's concessions surround the El Rosario mine which was discovered in 1836 and where nearly all of the historic gold-silver production was derived. Gammon Gold presently controls the concessions (439.24 hectares) which cover the historic mine.

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% net smelter return production royalty. Lincoln has the option to buy down 1% of the production royalty for a price to be independently determined. Also during 2009, Lincoln acquired 100% interest in the 20-hectare El Chapito concession which is an internal claim within the larger La Bufa concession.

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

From late 2009 to 2010, Lincoln completed eight geophysical lines (20,000 m) of induced polarization and resistivity in the unexplored northern portion of the La Bufa concessions. During the course of the survey, new exposures of mineralized structures were discovered in difficult terrain. The geophysical survey yielded strong anomalies which warrant drilling. The Company plans to drill test the targets during 2010.

Past production in the district is estimated at 2 million ozs gold and 28 million ozs silver. Gammon Gold has completed large drilling programs at El Rosario over the past two years. Lincoln believes that La Bufa has potential for a high-grade underground mine.

**Outstanding Share Data**

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The Company has an authorized share capital of an unlimited number of common shares, of which 64,388,067 were issued and outstanding as at the date of this report compared to 58,388,067 shares of Lincoln Gold at the end of 2009. See Note 9 in the December 31, 2009 audited consolidated financial statements for details.

The Company has outstanding a total of 14,993,575 full share equivalent warrants outstanding as at the date of this report ranging in price from \$0.25 to \$4.33 per share and 5,900,000 options with exercise prices from \$0.19 to \$0.29.

**Related Party Transactions**

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

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

**Related Party Loans**

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

The director advanced a further \$59,000 for a total loan of \$154,047. In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 1,180,000 shares valued at \$59,000 and a cash payment of \$95,047. Accrued interest of \$7,764 was forgiven.

During the year ended December 31, 2008, the Company received convertible loan proceeds of \$181,000 from the CEO. The principal amount bore interest at 5% per annum, and had no specific term of repayment.

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

The Company advanced \$81,900 to certain directors and officers to allow them to purchase escrowed common shares of the Company directly from the former escrow shareholders on completion of the reverse takeover (see note 5 of the December 31, 2009 audited consolidated financial statements). Subsequent to year end, the outstanding balance was repaid in full.

**Liquidity and Solvency**

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

<b>As at</b>	<b>December 31, 2009</b>		<b>December 31, 2008</b>	
Cash	\$	1,761,227	\$	1,553
Working capital (deficiency)		1,548,889		(2,517,729)

## LINCOLN MINING CORPORATION

<b>Year Ended</b>	<b>December 31, 2009</b>	<b>December 30, 2008</b>
Cash used in operating activities	(2,055,629)	(1,125,559)
Cash provided by investing activities	(60,016)	5,048
Cash provided by financing activities	3,875,319	998,863
Change in cash	<u>\$ 1,759,674</u>	<u>\$ (121,648)</u>

In conjunction with the Merger discussed under "Qualifying Transaction" the Company completed a private placement financing for gross proceeds of \$4.97 Million.

This financing has allowed the Company to return to positive working capital and to position itself to recommence active exploration programs.

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**

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

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

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

### **Capital Resources**

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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 and development expenditures are expensed as incurred.

All of the Company's resource property agreements are option agreements only and the exercise thereof are at the discretion of the Company. To earn its interest in the properties, the Company must incur certain expenditures in accordance with the agreements.

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

### **Off-Balance Sheet Arrangements**

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The Company does not utilize off-balance sheet transactions.

## **Proposed Transactions**

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

## **Changes in Accounting Policies Including Initial Adoption**

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### **Section 3064, Goodwill and intangible assets**

CICA Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this section has had no significant impact on the Company's financial statements

### **Section 1582, Business Combinations**

### **Section 1601, Consolidated Financial Statements**

### **Section 1602, Non-controlling Interests**

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaces CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements.

Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning March 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted.

## **International Financial Reporting Standards ("IFRS")**

The use of IFRS for financial reporting in Canada will be applicable for the fiscal year beginning January 1, 2011. The Company's IFRS transition plan consists of three main phases – Scoping, Analysis and Implementation. The Scoping phase involves a high-level analysis of the significant accounting differences between IFRS and Canadian GAAP and determining the potential impact of the new accounting standards on business areas such as information technology, internal controls and disclosure controls. The Analysis phase involves a more comprehensive analysis of the accounting standards, including the development of accounting policies and the quantification of the conversion impact. The Implementation phase executes the changes identified in the Analysis phase.

The Company has completed the Scoping phase, and both the Analysis and Implementation phases are in progress. The guidance for the first time adoption of IFRS is set out in IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is planning to elect to take the following IFRS 1 optional exemptions:

- To apply the requirements of IFRS 3, Business Combinations (2004), prospectively from the Transition Date.
- To apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 2002, which had not vested as of the Transition Date.

IFRS – Accounting Policy Choices

For mining exploration companies, one accounting policy choice is to either capitalize or expense its exploration costs. The Company currently expenses its exploration costs and does not currently anticipate any significant changes to this policy.

The Company is in the process of assessing the IFRS conversion adjustments, but does not currently expect any significant changes from the adoption of the following IFRS:

IFRS 2 – Share Based Payments;  
IAS 12 – Income Taxes;  
IAS 16 – Property, Plant and Equipment;  
IAS 36 – Impairment of Assets;  
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

**Financial Instruments**

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**Designation and Valuation of Financial Instruments**

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable and accrued liabilities and notes payable. 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 and notes payable 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 amounts of cash, receivables, due from related parties, accounts payable and accrued liabilities are a reasonable estimate of their fair values due to the short term maturity of these instruments. The fair value of notes payable was not determined as no relevant information was available for these types of financial instruments and it was not practicable to do so.

**Risks**

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**Foreign Exchange Risk**

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos.

At December 31, 2009, approximately 49% of the Company's accounts payable and accrued liabilities and approximately 3% of the Company's cash is denominated in US dollars. As well, approximately 18% of the Company's accounts payable and accrued liabilities are denominated in Mexican pesos. The Company's cash denominated in Mexican pesos is negligible. The Company's net monetary position in both US dollars and Mexican pesos is not significant and therefore the Company does not believe it is exposed to significant foreign exchange risk. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

**Credit Risk**

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

### **Interest Rate Risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial assets or liabilities with variable interest rates.

### **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**

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

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

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

## **Other**

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Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.lincolnmining.com](http://www.lincolnmining.com) and [www.sedar.com](http://www.sedar.com).

## **Trends**

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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. It is uncertain as to how long the bull market will last for precious metals.

## **Outlook**

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The outlook for precious metals continues to improve and this is reflected in Lincoln's increased financial strength. The prospect for financing the Company's projects is better and this will enable the Company to continue as a viable entity. Lincoln's advanced-stage properties, Pine Grove and Oro Cruz, will require significant investment as they transition into development state projects. Staff and contractor requirements are expected to increase significantly as Lincoln fast-tracks these properties to production. Exploration costs at La Bufa will also ramp up as new discoveries are made. 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.