LINCOLN MINING CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars, unless otherwise stated)

For the fiscal year ended

December 31, 2010 and 2009

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lincoln Mining Corporation

We have audited the accompanying consolidated financial statements of Lincoln Mining Corporation which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lincoln Mining Corporation as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

NEXIA INTERNATIONAL

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast doubt about Lincoln Mining Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 27, 2011

LINCOLN MINING CORPORATION
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian dollars, unless otherwise stated)
December 31, 2010 and December 31, 2009

	2010	2009
ASSETS		
Current		
Cash	$ 1,137,006	$ 1,761,227
Receivables	49,851	28,681
Due from related parties (Note 12)	-	66,900
Prepaid expenses and deposits	53,443	98,454
	1,240,300	1,955,262
Mineral property interests (Note 7)	3,019,713	63,153
Equipment (Note 6)	18,857	28,828
Deposits	44,678	37,684
	$ 4,323,548	$ 2,084,927
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 216,607	$ 354,275
Notes payable (Note 8c)	-	52,098
Promissory note (Note 7b(iv))	138,139	-
	354,746	406,373
Promissory note (Note 7b(iv))	216,691	-
Future income tax liability (Note 13)	490,200	-
	1,061,637	406,373
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	15,634,149	10,260,774
Share issuance commitment (Note 7b(iv))	46,250	-
Contributed surplus (Note 9)	2,404,549	1,836,778
Accumulated other comprehensive income (loss)	(12,990)	(12,990)
Deficit	(14,810,047)	(10,406,008)
	3,261,911	1,678,554
	$ 4,323,548	$ 2,084,927

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

On behalf of the Board:

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

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

LINCOLN MINING CORPORATION
(An Exploration Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2010 and 2009

	2010	2009
EXPLORATION EXPENSES (Note 7)	$ 2,394,252	$ 674,868
ADMINISTRATIVE EXPENDITURES		
Administrative support	140,600	70,222
Amortization	11,125	7,373
Consulting fees	406,882	257,309
Foreign exchange	10,034	(31,748)
Interest expense	12,843	197,402
Investor relations	261,823	77,245
Management fees	108,000	73,083
Office	212,959	98,301
Professional fees	167,075	179,206
Regulatory and shareholder services	40,509	78,087
Stock-based compensation (Note 10)	508,755	166,687
Travel	144,725	34,611
LOSS BEFORE OTHER ITEMS	(4,419,582)	(1,882,646)
OTHER ITEMS		
Interest income	7,482	3,849
Reverse takeover costs (Note 5)	-	(431,917)
Gain on settlement of debts	8,061	166,899
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(4,404,039)	(2,143,815)
DEFICIT, beginning of year	(10,406,008)	(8,262,193)
DEFICIT, end of year	$ (14,810,047)	$ (10,406,008)
BASIC AND DILUTED LOSS PER SHARE	$ (0.06)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	74,465,310	34,642,977

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

LINCOLN MINING CORPORATION
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Loss for the year	$ (4,404,039)	$ (2,143,815)
Items not affecting cash:		
Amortization	11,125	7,373
Shares issued for exploration expenditures	90,000	6,000
Stock-based compensation	508,755	166,687
Finders shares as RTO costs	-	213,916
Accreted interest expense	10,010	-
Accrued interest expense	-	193,025
Gain on settlement of debts	(8,061)	(166,899)
Unrealized foreign exchange	(16,865)	-
Changes in non-cash working capital items:		
Increase in receivables	(21,170)	(20,738)
Decrease (increase) in prepaids and deposits	38,017	(135,463)
Decrease in accounts payable and accrued liabilities	(129,607)	(175,715)
Net cash used in operating activities	(3,921,835)	(2,055,629)
Cash flows from financing activities		
Shares issued for cash	3,989,447	4,973,360
Share issue costs	(444,806)	(271,589)
Proceeds from loans and notes payable	-	50,000
Repayment of loans and notes payable	(52,098)	(876,452)
Net cash provided by financing activities	3,492,543	3,875,319
Cash flows from investing activities		
Cash acquired pursuant to RTO	-	56,488
Acquisition of equipment	(1,154)	(24,522)
Advances to LPT prior to RTO	-	38,071
Decrease (increase) in due from related parties	66,900	(66,900)
Mineral property acquisition costs	(260,675)	(63,153)
Net cash used in investing activities	(194,929)	(60,016)
Change in cash during the year	(624,221)	1,759,674
Cash, beginning of year	1,761,227	1,553
Cash, end of year	$ 1,137,006	$ 1,761,227
Interest paid in cash	$ 4,932	$ 90,747
Income taxes paid in cash	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 16)

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

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

2. CONTINUANCE OF OPERATIONS

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2010, the Company had no source of operating cash flow, had an accumulated deficit of $14,810,047 since its inception, and had positive working capital of $885,554.

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

Management is continuing to focus efforts on obtaining further financing and believes that the Company will be able to continue to raise additional funds. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities and the reported revenues and expenses should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are as follows:

Basis of consolidation

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

Use of estimates

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

Equipment

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

Mineral property interests

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

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

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Asset retirement obligations

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

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

The Company does not have any significant asset retirement obligations.

Loss per share

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

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

Financial instruments – recognition and measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currency translation

The Company's subsidiaries represent integrated foreign operations. Monetary assets and liabilities are translated at the rate of exchange at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations

Comprehensive income

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

Stock-based compensation

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

Income taxes

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

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4. NEW ACCOUNTING STANDARDS

Accounting standards not yet adopted

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

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

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

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

(Expressed in Canadian dollars, unless otherwise stated)

5. RECAPITALIZATION

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

a) Outstanding shares of LPT of 6,000,000 were consolidated to 4,000,000

b) Each shareholder of LGC received 0.31 shares of LPT for each LGC share held, resulting in the issuance of 23,204,089 shares

c) All outstanding LGC and LPT options were cancelled

d) LGC warrants were exchanged on the same ratio as the shares, resulting in the issuance of 2,085,979 warrants

e) LPT changed its name to Lincoln Mining Corporation.

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

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

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

6. EQUIPMENT

	Cost	Accumulated Amortization	Dec 31, 2010 Net Book Value
Computer equipment	$ 9,901	$ 8,181	$ 1,720
Computer software	1,345	1,345	-
Mining equipment	11,804	10,627	1,177
Office equipment	5,400	4,247	1,153
Vehicles	22,211	7,404	14,807
	$ 50,661	$ 31,804	$ 18,857

	Cost	Accumulated Amortization	Dec 31, 2009 Net Book Value
Computer equipment	$ 8,746	$ 6,826	$ 1,920
Computer software	1,345	1,345	-
Mining equipment	11,804	7,028	4,776
Office equipment	5,400	3,628	1,772
Vehicles	22,211	1,851	20,360
	$ 49,506	$ 20,678	$ 28,828

(Expressed in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS AND EXPLORATION EXPENSES

The Company's mineral property interests are comprised of properties located in the United States and in Mexico. During the years ended December 31, 2010 and 2009, the Company's mineral property acquisition costs were capitalized as follows:

	December 31, 2010		
	United States	Mexico	
	Pine Grove Property	La Bufa Property	Total
Mineral property interests			
Balance, beginning of year	$ -	$ 63,153	$ 63,153
Acquisition costs capitalized during the year (see (b)(iv), (d) below)	696,360	2,260,200	2,956,560
Balance, end of year	$ 696,360	$ 2,323,353	$ 3,019,713

	December 31, 2009	
	Mexico	
	La Bufa Property	Total
Mineral property interest		
Balance, beginning of year	$ -	$ -
Acquisition costs capitalized during the year (see (d) below)	63,153	63,153
Balance, end of year	$ 63,153	$ 63,153

During the year ended December 31, 2010, the Company incurred exploration expenditures as follows:

	United States			Mexico	
	Hannah	Pine Grove	Oro Cruz	La Bufa	Total
Exploration and related expenditures					
Option, lease and advance royalty payments	$ -	$ 302,787	$ 52,630	$ -	$ 355,417
Claimstaking	-	-	901	-	901
Contractors	426	121,106	67,384	238,306	427,222
Drilling and metallurgical	-	762,415	-	-	762,415
Field supplies	-	6,896	1,776	13,961	22,633
General administration	-	-	-	36,462	36,462
Geochemistry	-	-	-	24,398	24,398
Land maintenance	254	105,224	29,613	14,567	149,658
Permitting environment	965	98,570	-	-	99,535
Property evaluations	-	196,989	147,589	-	344,578
Surveying	-	8,724	122	87,667	96,513
Travel and accommodation	-	753	10,622	56,692	68,067
Vehicle operating	-	5,972	-	481	6,453
Total exploration expenses	$ 1,645	$ 1,609,436	$ 310,637	$ 472,534	$ 2,394,252

(Expressed in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS (CONT'D)

During the year ended December 31, 2009, the Company incurred exploration expenditures as follows:

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

United States

(a) Hannah Property, Nevada

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

In February 2009, the Company entered into an option agreement with Enexco International Inc. ("Enexco"), whereby Enexco could earn a 60% interest in the Hannah property by completing a work program and making certain payments.

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

7. MINERAL PROPERTY INTERESTS (CONT'D)

(b) Pine Grove Property, Nevada

During fiscal 2007 the Company entered into three separate agreements with Wheeler Mining Company ("Wheeler"), Lyon Grove, LLC ("Lyon Grove") and Harold Votipka ("Votipka") which collectively comprise the Pine Grove Property. In fiscal 2010, the Company added the Cavanaugh property.

i) In July 2007 the Company entered into an agreement with Wheeler to lease Wheeler's 100% owned mining claims in Lyon County, Nevada from July 13, 2007 to December 31, 2022 with an exclusive option to renew the lease by written notice to December 31, 2023. If the property is and remains in commercial production by November 1 of each year after 2022, the Company may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year.

The Company was required to produce a bankable feasibility study on the properties by December 31, 2010 and obtain all necessary funding to place the properties into commercial production. The Company has since received an extension as new technical data has been developed. The Company must pay an NSR of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% NSR on metals or minerals other than gold produced and sold from the properties.

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

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

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

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

The following lease payments must be made by the Company:

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

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

(Expressed in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS (CONT'D)

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

iii) (cont'd)

The following work commitments must be made by the Company:

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

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

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

iv) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire 10 unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors will receive a total of US$650,000 and 400,000 common shares of the Company as follows:

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

(Expressed in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS (CONT'D)

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

iv) (cont'd)

A US$400,000 promissory note has been issued for the aforementioned remaining cash payments required, non-interest bearing, except in the event of default, in which case the rate of interest shall be eight percent per annum until payment is made. The promissory note is secured by the Cavanaugh property. The fair value of the promissory note on the date of issuance was $361,685 (US$346,873), which was calculated using a discount rate of 8%. The Company's commitment to issue the remaining shares have been valued at $0.185 per share totalling $46,250. As a result of the purchase agreement, $696,360 has been capitalized as mineral property acquisition costs as at December 31, 2010. The Company recorded interest expense of $10,010 (2009 - $nil) on the loan being the accretion of the loan to its face value.

The promissory note as at December 31, 2010 is summarized as follows:

Value at issuance	$ 361,685
Accretion interest	10,010
Changes in exchange rates	(16,865)
	354,830
Less: current portion	(138,139)
	$ 216,691

The vendors will also retain a 1.5% NSR subject to the Company's option to buy down the royalty at a rate of US$75,000 per one-half percent at any time up until 3 years after the Company's Board of Directors approves mine construction. The balance of the payments indicated above following closing will be secured against the Cavanaugh property.

(c) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln US, concluded a lease agreement (the "Lease") to lease certain lode claims covering the Oro Cruz Property in Imperial County, California. The Lease involves advance royalty payments beginning at US$50,000 per year and gradually increasing to $200,000 US per year on the 7th anniversary and each subsequent anniversary of the effective date of February 22, 2010 as follows:

- US$50,000 on the execution date of the agreement (paid)
- US$50,000 by February 22, 2011 (paid subsequently)
- US$75,000 by February 22, 2012
- US$75,000 by February 22, 2013
- US$100,000 by February 22, 2014
- US$100,000 by February 22, 2015
- US$150,000 by February 22, 2016
- US$200,000 by February 22, 2017 and each subsequent anniversary of the effective date

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

7. MINERAL PROPERTY INTERESTS (CONT'D)

(c) 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

Mexico

(d) La Bufa Property, Chihuahua

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

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

In November 2009, the Company reached an agreement with Almaden to purchase 100% of the La Bufa property. In February 2010, the Company concluded the agreement to purchase 100% of the La Bufa property. The agreement supercedes all prior agreements with Almaden. The Company purchased the 100% interest by issuing 6,000,000 common shares, valued at $1,770,000, to Almaden and granting a 2% NSR on all future production from La Bufa. The $1,770,000 was capitalized as mineral property acquisition costs as at December 31, 2010. In connection with this acquisition, the Company recorded a future income tax liability of $490,200 that has been included in the acquisition costs. 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.

8. LOANS AND NOTES PAYABLE

a) Loan payable

In November 2008, the Company received loan proceeds of US$50,000 bearing an interest rate of 10% per annum, calculated and compounded monthly. In August 2009, the Company repaid this loan.

b) Convertible loans from related parties

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

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

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

iii) During the year ended December 31, 2008, the Company received further convertible loan proceeds of $154,047 from a director of the Company of which $95,047 related to the assumption of convertible loan indebtedness noted above in i). The loans bore interest at a rate of 5-10%.

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

8. LOANS AND NOTES PAYABLE (CONT'D)

c) Notes payable

i) In January 2004, the Company issued a US$200,000 convertible note. The note carried an interest rate of 10% compounded monthly and was due on January 28, 2006. On September 15, 2005 the Company completed an agreement whereby the Company repaid US$100,000 of the convertible note along with US$35,000 accrued interest and agreed to repay the remaining US$100,000 within sixty days. With the completion of the first payment the conversion feature was cancelled.

In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 1,000,000 shares with a value of US$50,000 and a cash payment of $107,770. Accrued interest of $1,889 was forgiven and recorded as gain on settlement of debt.

ii) In June 2008 the Company issued a promissory note in return for $300,000. The note bore interest at a rate of 10% per year. The principal and interest were due at the earliest of June 16, 2009 or when the Company completed a financing of $1,500,000 or greater. In consideration for this loan the Company issued 450,000 shares to the lender. These shares were valued at $42,750.

In August 2009, pursuant to a debt settlement agreement, the principal of the debt was settled through the issuance of 6,000,000 shares with a value of $300,000. The remaining accrued interest of $36,424 was paid in full as at December 31, 2009.

iii) In August 2008, the Company issued a promissory note in the amount of $800,000 in return for drilling services accrued in accounts payable. The note was due on demand, any time after February 15, 2009, and accrued interest at 1.5% per month. After demand, the note accrued interest at a rate of 2% per month.

In August 2009, pursuant to a debt settlement agreement, the debt was settled through the issuance of 6,000,000 shares with a value of $300,000 and a cash payment of $500,000. Accrued interest of $140,575 was forgiven and recorded as a gain on settlement of debt, while the remaining $50,000 of accrued interest was paid in full as at December 31, 2009.

iv) In May 2009, the Company received loan proceeds of $50,000 from two individuals bearing an interest rate of 8% per annum due December 31, 2009.

As at December 31, 2010, the loans plus accrued interest totaling $54,931 was fully repaid by the Company and $Nil (2009 - $52,098) remains outstanding.

(Expressed in Canadian dollars, unless otherwise stated)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of shares	Share Capital	Contributed Surplus
Authorized - Unlimited number of common shares			
Issued and Outstanding:			
Balance, December 31, 2008	**55,392,000**	**$ 4,276,642**	**$ 1,670,091**
Shares issued for mineral property expenditures	200,000	6,000	-
Shares issued to settle debt	19,259,900	973,593	-
Elimination of LGC shares on RTO (Note 5)	(74,851,900)	-	-
Shares of LPT (post consolidation – Note 5)	4,000,000	111,852	-
Shares issued pursuant to RTO (Note 5)	23,204,089	-	-
Private placement	29,255,057	4,973,360	-
Shares issued for finders fees on private placement	670,588	114,000	-
Share issue costs for finders fees on private placement	-	(114,000)	-
Finders fees on RTO	1,258,333	213,916	-
Share issue costs	-	(294,589)	-
Stock-based compensation	-	-	166,687
Balance, December 31, 2009	**58,388,067**	**10,260,774**	**1,836,778**
Shares issued for mineral property acquisitions	6,150,000	1,797,750	-
Shares issued for exploration expenditures	500,000	90,000	
Private placement	18,133,849	3,989,447	-
Share issue costs	-	(444,806)	-
Share issue costs – broker warrants	-	(59,016)	59,016
Stock-based compensation	-	-	508,755
Balance, December 31, 2010	**83,171,916**	**$15,634,149**	**$ 2,404,549**

During the year ended December 31, 2010, the Company:

a) Issued 6,000,000 shares, valued at $1,770,000 pursuant to the Company's La Bufa Property (Note 7(d)); issued 150,000 shares valued at $27,750 pursuant to the Company's Pine Grove Property (Note 7(b)(iv)); issued 500,000 shares valued at $90,000 pursuant to the Company's Pine Grove Property (Note 7(b)(iii)).

b) Completed a brokered private placement of 12,045,395 and a non-brokered private placement of 6,088,454 totaling 18,133,849 units at a price of $0.22 per unit for gross proceeds of $3,989,447. Each unit is comprised of one common share and one half of one non-transferable common share purchase warrant. Each whole purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.35 per share until June 1, 2012.

(Expressed in Canadian dollars, unless otherwise stated)

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

b) (cont'd)

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

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

	2010	2009
Risk free interest rate	1.73%	-
Expected life	1.60 years	-
Expected volatility	75.00%	-
Dividend yield	0.00%	-

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

a) Completed an RTO (Note 5), whereby the Company issued 23,204,089 shares. The Company also issued a finders fee of 1,258,333 common shares pursuant to this transaction, with a value of $213,916.

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

c) Issued 200,000 shares, valued at $6,000 pursuant to the La Bufa option agreement (Note 7(d)).

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

Shares held in Escrow:

On completion of the RTO, 5,290,950 shares were subject to an escrow agreement, which provides for the release from escrow of 10% of such escrowed shares on August 18, 2009 and 15% every six months thereafter for a period of thirty-six months. As at December 31, 2010, there were 3,174,575 shares held in escrow.

(Expressed in Canadian dollars, unless otherwise stated)

10. STOCK OPTIONS

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

The number of stock options outstanding at December 31, 2010 are summarized as follows:

	December 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	4,300,000	$ 0.19	2,450,000	US$ 0.25
Expired or forfeited	(250,000)	0.23	(300,000)	US 0.25
Cancelled	-	-	(2,150,000)	US 0.25
Granted	3,700,000	0.24	4,400,000	0.19
Cancelled	-	-	(100,000)	0.19
Balance, end of year	7,750,000	$ 0.22	4,300,000	$ 0.19

As at December 31, 2010 the following options are outstanding:

Number of options	Exercise price	Expiry date
250,000	$ 0.29	January 28, 2011
150,000	$ 0.19	December 14, 2011
100,000	$ 0.19	December 15, 2011
100,000	$ 0.35	July 5, 2012
4,050,000	$ 0.19	September 29, 2014
300,000	$ 0.29	January 28, 2015
1,050,000	$ 0.29	March 3, 2015
700,000	$ 0.22	June 4, 2015
925,000	$ 0.19	December 15, 2015
125,000	$ 0.21	December 20, 2015
7,750,000		

As at December 31, 2010, 3,812,500 options (2009 – 756,250) are exercisable with a weighted average exercise price of $0.22 (2009 – $0.20). During the year ended December 31, 2010, the Company recorded $508,755 (2009 - $166,687) as stock-based compensation in the results of operations for options vested during the year, with an offset recorded to contributed surplus. The weighted average grant date fair value of the stock options granted was $0.13 per option (2009 - $0.11).

Subsequent to the year ended December 31, 2010, 250,000 options expired.

(Expressed in Canadian dollars, unless otherwise stated)

10. STOCK OPTIONS (CONT'D)

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

	2010	2009
Risk free interest rate	2.08%	2.19%
Expected life	3.50 years	3.82 years
Expected volatility	75.00%	75.00%
Dividend yield	0.00%	0.00%

11. WARRANTS

As at December 31, 2010 the following warrants are outstanding:

Number of warrants	Exercise price	Expiry date
14,627,531	$ 0.25	August 18, 2011
10,209,338	$ 0.35	June 1, 2012
24,836,869		

As at December 31, 2010, the share purchase warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2008	9,971,000	$ 0.31
Cancelled pursuant to RTO (Note 5)	(6,696,000)	0.39
Re-issued pursuant to RTO (Note 5)	2,085,979	1.24
Expired	(4,598,986)	0.26
Issued from private placement	14,627,531	0.25
Balance, December 31, 2009	15,389,524	0.35
Issued from private placement	10,209,338	0.35
Expired	(761,993)	2.49
Balance, December 31, 2010	24,836,869	$ 0.29

Subsequent to the year ended December 31, 2010, 65,000 share purchase warrants were exercised at $0.25 per share.

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company paid or accrued exploration and consulting fees of $104,551 (2009 – $55,108) and rent, included in office, of $nil (2009 - $2,487) to the Vice President of Exploration of the Company, consulting and management fees of $108,000 (2009 - $88,083) to a company owned by the President of the Company, consulting fees of $96,000 (2009 - $37,913) to the CFO of the Company, consulting fees of $94,687 (2009 - $nil) to the VP of Operations of the Company and consulting and director fees of $69,000 (2009 - $20,000) to directors or companies owned by directors.

As at December 31, 2010, the Company owed $13,143 (2009 - $2,000) to various directors and/or officers of the Company, which is included in accounts payable. During the year ended December 31, 2009, the Company settled accounts payable to a director and officer of $32,020 through a cash payment of $7,520 and the issuance of 490,000 shares of LGC.

During the year ended December, 31, 2009, the Company advanced $81,900 to certain directors and officers to allow them to purchase escrowed common shares of the Company directly from the former escrow shareholders on completion of the RTO (Note 5), of which $66,900 was repaid during the year ended December 31, 2010 (2009 - $15,000) and $nil (2009 - $66,900) was outstanding as of December 31, 2010.

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

(Expressed in Canadian dollars, unless otherwise stated)

13. INCOME TAXES

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

	2010	2009
Loss before income taxes	$ (4,404,039)	$ (2,143,815)
Effective tax rate	28.5%	30.0%
Expected tax recovery	$ (1,255,151)	$ (643,144)
Deductible items	(126,253)	(32,292)
Non-deductible items	317,726	403,635
Differences in tax rates	(111,804)	(15,874)
Change in valuation allowance	1,175,482	287,675
	$ -	$ -

Future income tax assets are calculated as follows:

	2010	2009
Future income tax assets relate to:		
Loss carryforwards	$ 1,206,000	$ 652,000
Accumulated mineral property expenditures	722,000	494,000
Capital assets and other	2,000	-
Financing costs	204,000	213,000
	2,134,000	1,359,000
Future income tax liabilities		
Mineral property expenditures	(638,200)	-
Valuation allowance	(1,986,000)	(1,359,000)
	$ (490,200)	$ -

As at December 31, 2010, the Company has Canadian non-capital loss carry forwards of $3,619,858 (2009 - $2,065,383) available to reduce income otherwise taxable in future years expiring through to 2030.

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

During the year ended December 31, 2010, the Company recorded a future income tax liability of $490,200 in connection with the acquisition of its La Bufa Property (Note 7).

14. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value

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

(b) Foreign exchange risk

The Company's operations in the United States and Mexico expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars, as well as the Canadian dollar and Mexican pesos. At December 31, 2010, the Company had a net monetary asset position of US$257,336 and its net monetary position denominated in Mexican pesos are negligible. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of $25,732.

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

(c) Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST/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.

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

(d) Interest rate risk

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

(e) Liquidity risk

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

(f) Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

16. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2010 included:

i) The Company issued 6,000,000 common shares valued at $1,770,000 pursuant to the La Bufa Property (Note 7(d)).

ii) The Company issued 150,000 shares valued at $27,750 and has a commitment to issue an additional 250,000 shares pursuant to the Company's Pine Grove Property with a value of $46,250. As well, a US$400,000 promissory note has been issued pursuant to the Company's Pine Grove Property (Note 7(b)(iv)), valued at $361,684 (US$346,873) on issuance.

iii) The Company issued 1,142,415 non-transferable Broker Warrants valued at $59,016 (Note 9b).

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

i) The Company issued 670,588 common shares with a fair value of $114,000 as share issue costs

ii) The Company issued 19,259,900 common shares to settle accounts payable of $93,594, loans payable of $650,000 and convertible debt from related parties of $230,000.

iii) The Company applied $177,600 of deferred financing fees to share issue costs and RTO costs.

iv) The purchase of the net assets of LPT in relation to the recapitalization of the Company (Note 5).

(Expressed in Canadian dollars, unless otherwise stated)

17. SEGMENTED INFORMATION

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

	Dec 31, 2010	Dec 31, 2009
Capital assets:		
Mexico	$ 2,324,530	$ 67,929
United States	711,717	21,109
Canada	2,323	2,943
	3,038,570	91,981

18. COMMITMENTS

In addition to commitments disclosed elsewhere in the financial statements:

a) Pursuant to a premises lease, the Company's minimum annual commitments are as follows:

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

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

19. SUBSEQUENT EVENTS

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

b) The Company granted 125,000 options with an exercise price of $0.23, expiring in two years and 250,000 options with an exercise price of $0.26 expiring in one year.

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF APRIL 27, 2011 TO ACCOMPANY THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE YEAR ENDED DECEMBER 31, 2010.

This discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2010 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.

2010 Year in Review

During 2010, the Company advanced all three of its 100% controlled gold/silver projects; the Pine Grove in Nevada, the Oro Cruz in southern California and the La Bufa in Chihuahua, Mexico. The Company's focus has been advancing the Pine Grove to develop an updated resource calculation, while also conducting further exploration work at its Oro Cruz and La Bufa projects. Details of all the exploration work can be found on the Company's website, www.lincolnmining.com. Lincoln also completed an equity financing during the year which netted $3.5 million.

During the year, a number of work programs were undertaken at the Pine Grove, all designed to place the property into production. In February, a 63 drill-hole confirmation program was completed. The drilling was carried out on the two patented claim areas, the Wilson and the Wheeler which form part of the property, to reaffirm and potentially upgrade the gold resources identified by a 160-hole program conducted by Teck Resources Ltd. in the early 1990's. A number of the current drill-hole assay results are consistent with the high-grade aspect of the previous underground mining grades. For detailed results, please see the Company's press release dated March 2, 2010.

In anticipation of future production, Lincoln has been considering an open-pit, heap leach type of operation for Pine Grove. The process plant may have to be redesigned to ensure that the coarse gold from these high-grade areas is recovered as well as the low-grade finer gold. As well, an increasing amount of sulphide is being encountered at depth and this will have to be taken into consideration in any plant design. Metallurgical test work continues at McClelland labs in Reno to determine potential gold recoveries from the various types of mineralization. Permitting and environmental studies will continue in 2011. In addition, geotechnical drilling is planned as well as more exploration drilling necessary to better define the high-grade zones that have been intercepted.

At the Oro Cruz property in southwestern California, a National Instrument 43-101 compliant technical report on resources was completed by Tetra Tech of Denver (see complete report filed on SEDAR September 21, 2010 at www.sedar.com or on the Company's website) which has defined an Inferred resource of 341,800 ounces grading 2.2 g/t using a cut-off of 0.6 g/t. This resource is being used as a base to potentially upgrade the resource and expand the deposit. The technical report recommends a twin-hole program, bulk density and metallurgical test work to convert Inferred resources to Indicated and Measured. In addition, five satellite gold zones have been identified and over 10 targets in the area have been defined for future exploration. This preliminary information suggests the area has substantial room to grow the resource and a work program has been developed with that objective in mind. With the current resource, the project has near-term production potential. In the latter part of 2010, Lincoln staked an additional 63 claims in an area it believes to have exploration potential. The Company has hired Mintec, Inc. of Tucson, Arizona to complete an initial open-pit design on the project and will use Tetra Tech of San Bernardino, California to begin environmental baseline studies on the property. As with the Pine Grove project, this property has excellent infrastructure to accommodate access, utilities and facilities.

As a result of the geophysical survey, trench sampling, and mapping carried out in 2010, the La Bufa project is becoming an increasingly attractive exploration target. The property is situated in an outstanding location within the Sierra Occidental belt. The high-grade historical production is a good indicator of the potential of the property with the investment of a major work program. Lincoln's mining concessions encircle the areas of past production with key targets and extensions now well defined by all the Company's exploration work. Over 22,000 line meters of geophysics have been completed, numerous soil and rock samples were taken and the area has been mapped in detail. Samples grading up to 1 ounce of gold and 28 ounces of silver have been reported. The host rock for the gold and silver is the "Lower Volcanics" and this setting combined with the data from geophysics and rock and soil sampling programs have given us numerous drill targets. Please see the Company's press release dated July 27, 2010 for more information.

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

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.

Qualifying Transaction (the "Merger")

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 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

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

This is now the ninth 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's main performance activities in 2010 were raising funds by way of a private placement which enabled the Company to advance all three of its projects (see "Project Summaries and Activities" for greater detail).

Results of Operations

Results of Operations – For the year ended December 31, 2010

For the year ended December 31, 2010, the Company incurred a loss of $4,404,039 (2009: $2,143,815). Significant expenses included exploration expenses of $2,394,252 (2009: $674,868); consulting fees of $406,822 (2009: $257,309 (see also 'Related Party Transactions'); investor relations costs of $261,823 (2009: $77,245); travel and related costs of $144,725 (2009: $34,611); interest expense of $12,843 (2009: $197,402); professional fees of $167,075 (2009: $179,206) and stock-based compensation of $508,755 (2009: $166,687). During the year ended December 31, 2010, the Company earned a modest amount of interest income of $7,482 (2009: $3,849), incurred $nil (2009: $431,917) in connection with the merger with LPT Capital Ltd., and had a gain on settlement of debt of $8,061 (2009: $166,899).

The overall objective of the 2010 operating year was to advance all three of its projects, which was accomplished through its exploration and consulting expenditures.

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

Results of Operations – For the three months ended December 31, 2010

For the three months ended December 31, 2010, the Company incurred a loss of $ 1,077,860 (2009: $1,037,098). Significant expenses included net exploration expenses of $468,877 (2009: $493,804); consulting fees of $ 175,687 (2009: $83,814); investor relations costs of $71,447 (2009: $27,872); interest expense of $10,010 (2009: $801); professional fees of $57,309 (2009: $104,904) and stock-based compensation of $95,037 (2009 - $165,731). During the three months ended December 31, 2010, the Company earned a modest amount of interest income of $2,161 (2009: $2,445). During the fourth quarter, there were no unusual or non-recurring items to note.

Summary of Quarterly Results:

2010 Quarterly Results:	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Revenue	$ -	$ -	$ -	$
Net 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	4,323,548	4,775,327	5,526,817	2,780,733
Working capital	885,554	1,851,075	3,411,213	616,183

2009 Quarterly Results:	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Revenue	$ -	$ -	$ -	$
Net loss	(1,037,098)	(730,894)	(156,692)	(219,131)
Basic and diluted loss per share	(0.04)	(0.02)	(0.00)	(0.00)
Total assets	2,084,927	3,052,422	204,025	229,139
Working capital (deficiency)	1,548,889	2,421,226	(2,884,842)	(2,735,505)

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

Selected Annual Information for the year ended December 31, 2010:

Year Ended	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
Financial Results:			
Exploration expenses	2,394,252	674,868	2,025,586
Net loss for the year	(4,404,039)	(2,143,815)	(2,683,240)
Basic and diluted loss per share	(0.06)	(0.06)	(0.12)
Balance Sheet Data:			
Cash	1,137,006	1,761,227	1,553
Total assets	4,323,548	2,084,927	199,450
Accounts payable, accrued liabilities, advances, loans, notes payable, and promissory note, future income tax liability	1,061,637	406,373	2,527,900
Shareholders' equity (deficiency)	3,261,911	1,678,554	(2,328,450)
Cash Flow Data:			
Common share proceeds (gross)	3,989,447	4,973,360	325,918

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.

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 in 2012.

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

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

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

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

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

In addition to the aforementioned leases and purchases, Lincoln now has located 221 unpatented lode claims in the names of LGUS 1 through 189, LGUS 219 through 221, and LG 190 through 218. Also, Lincoln has recently 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.

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

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

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

Initial drilling results show good continuity and distribution of gold mineralization at the Wheeler gold deposit. The Wilson gold deposit appears to need more drilling to develop additional resources amenable to open pit mining. New, high-grade gold intercepts at the Wilson may require consideration of a possible underground mining scenario in the future. Additional stepout 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.)

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	0048	166	87.5

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

Bottle-Roll Results – Wheeler Deposit

Wheeler Holes 10-ft Composites		Percent Gold Recovery (%)
WR-105 (55 to 65 ft)		93.6
WR-106 (30 to 40 ft)		78.0
WR-106 (80 to 90 ft		84.6
WR-106 (140-150 ft)		57.6
WR-108 (115-120 ft)		61.7

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

Bottle-Roll Results – Wilson Deposit

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

Four additional, large-diameter “PQ” core holes were drilled in November-December 2010 to provide additional mineralized material for column leach tests. Two holes were drilled on the Wheeler deposit and two holes were drilled on the Wilson deposit. A total of 710 ft were cored for an average hole depth of 177.5 ft. All core has been logged and photographed and awaits sampling.

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

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

Oro Cruz Gold Property, Imperial County, California

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

On February 22, 2010, Lincoln entered into a Mining Lease agreement on the Oro Cruz Property with ADGIS, Inc., a Nevada corporation. The agreement covers 20 unpatented lode claims which encompass an open pit with exposed ore-grade gold mineralization and an underground ramp that intersects ore-grade material below the pit. The term of the agreement is 20 years and so long thereafter Lincoln is conducting exploration, development, mining, or processing of minerals from the property. The agreement includes a NSR of 3% on the first 500,000 ozs of gold produced which increase to 4% thereafter. Minimum advance royalty payments begin with a US$50,000 payment upon execution of the agreement and escalates annually to a maximum of US$200,000 upon the seventh anniversary and annually thereafter. Lincoln has the option to buy down 2% of 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 target areas south of the main claim group. The entire land position now encompasses 151 lode claims comprising approximately 3,000 acres.

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

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

In early 2010, Lincoln contracted Atkinson Undergound LP ("Atkinson") of Golden, Colorado to open and inspect the underground decline and ventilation shaft system. The decline was reported to be in good condition and the mine air is good. The air and water lines appear to be in usable condition. CAL-OSHA inspectors conducted a courtesy inspection of the underground workings in early 2010 with no negative comments. The Company has welded the underground portal closed to prevent unlawful entry by trespassers. The portal can be reopened as necessary.

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

Oro Cruz Gold Resources – September 2010

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

Tetra Tech recommended a twin-hole drilling program of 34 core holes to validate the deposit and upgrade the resource category. They also recommended bulk density testing, preliminary metallurgic test work, location of a suitable water and power source, and baseline environmental studies.

The BLM field office in El Centro, California has informed the Company that future drilling will require an Environmental Assessment ("EA"). The EA will require that Lincoln conduct aerial photography for the compilation of new, detail topographic maps. New mapping will be used to plan access roads and drill sites as well as to provide base maps for environmental and engineering studies. The Company plans to fly to the property during the second quarter of 2011. Qualified personnel with Tetra Tech's office in San Bernardino, California will be utilized to prepare the EA in 2011.

MEXICO

La Bufa Gold-Silver Property, Chihuahua, Mexico

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

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

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

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

TARGET AREAS	ANOMALOUS GOLD (gpt)	ANOMALOUS SILVER (gpt)
TARGET AREA 1		
"	2.20	978
"	13.3	902
TARGET AREA 1 (cont'd)	0.53	626
	0.39	434
"	21.5	193
"	0.25	180
"	0.32	164
"	-	38.6
"	-	22.4
"	-	21.1
"	20.0	16.7
"	0.236	13.5
"	-	11.3
"	0.191	9.1
"	0.302	8.9
"	0.360	7.8
"	-	7.1
"	-	6.6
"	-	6.6
"	-	5.9
"	-	4.4
"	-	4.3
"	-	4.0
"	-	3.7
"	-	3.6
"	1.98	3.2
"	0.14	2.5
TARGET AREA 2		
"	0.928	87.6
"	0.119	42.5

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

Lincoln continues to advance the La Bufa property, which holds excellent potential for multiple epithermal gold-silver deposits subject to underground mining and milling. Lincoln believes that the new targets identified in 2010 reflect near-term opportunities for discovery of significant economic gold-silver deposits. The Company plans to drill test the new targets.

Subsequent Event

On March 31, 2011, the Company announced that it had entered into an option agreement (the "Agreement") with Elgin, granting Elgin the exclusive right and option to acquire up to a 60% undivided interest in each of its 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, 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 ventures agreement, based on the terms of the Agreement, following the Option Acquisition Date. The Company will continue to the be operator of the Properties until such time as Elgin has earned a greater than 50% interest in a Property, at which time Elgin will be entitled to be the operator of such Property. The Company has received US$1,000,000 to date from Elgin pursuant to this agreement.

New Opportunities

Lincoln continues to evaluate mineral properties which contain significant drilled gold resources. Evaluations are focused on deposits in the western United States, 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 83,236,916 were issued and outstanding as at the date of this report. See also Note 9 in the December 31, 2010 audited consolidated financial statements for details on share capital.

The Company has outstanding a total of 24,836,869 full share equivalent warrants outstanding as at the date of this report ranging in price from $0.25 to $0.35 per share and 7,875,000 options with exercise prices from $0.19 to $0.35.

Related Party Transactions

During the year ended December 31, 2010, the Company paid or accrued exploration and consulting fees and consulting fees of $104,551 (2009 – $55,108) and rent, included in office, of $nil (2009 - $2,487) to the Vice President of Exploration of the Company, consulting and management fees of $108,000 (2009 - $88,083) to a company owned by the President of the Company, consulting fees of $96,000 (2009 - $37,913) to the CFO of the Company, consulting fees of $94,687 (2009 - $nil) to the VP of Operations of the Company and director and consulting fees of $69,000 (2009 - $20,000) to directors or companies owned by directors.

As at December 31, 2010, the Company owed $13,143 (2009 - $2,000) to various directors and/or officers of the Company, which is included in accounts payable. During the year ended December 31, 2009, the Company settled accounts payable to a director and officer of $32,020 through a cash payment of $7,520 and the issuance of 490,000 shares of LGC.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties (see also “Related Party Loans”).

Related Party Loans

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.

During the year ended December 31, 2009, 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, 2010 audited consolidated financial statements), of which $66,900 was repaid during the year ended December 31, 2010 (2009 - $15,000) and $nil (2009 - $66,900) was outstanding as of December 31, 2010.

Liquidity and Solvency

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

As at		December 31, 2010		December 31, 2009
Cash	$	1,137,006	$	1,761,227
Working capital		885,554		1,548,889
Long-term liabilities		706,891		-
Year Ended		**December 31, 2010**		**December 31, 2009**
Cash used in operating activities		(3,921,835)		(2,055,629)
Cash used in investing activities		(194,929)		(60,016)
Cash provided by financing activities		3,492,543		3,875,319
Change in cash	$	(624,221)	$	1,759,674

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

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

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

Lincoln intends to use the net proceeds raised to advance development of its mineral properties and for general working capital purposes.

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

Commitments

In addition to commitments mentioned elsewhere in this document, pursuant to a premises lease, the Company's annual minimum commitments are as follows:

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, 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.

Capital Resources

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

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

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

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Proposed Transactions

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

Critical Accounting Estimates

The Company's accounting policies are described in Notes 3 and 4 of the audited financial statements for the year ended December 31, 2010. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests, asset retirement obligations, expected tax rates for future income tax recoveries and fair values of share based payments. Financial results as determined by actual events could differ from those estimates.

Accounting for Stock Options

Stock options are measured and expensed using the fair value method. The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Changes in Accounting Policies Including Initial Adoption

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 January 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 the final stages. 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 does currently expect certain differences to arise in the recognition of future income tax liabilities.

The Company is in the final stages 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 16 – Property, Plant and Equipment;
IAS 36 – Impairment of Assets;
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Financial Reporting Expertise:

Members of the Company's finance department have taken steps to become proficient in IFRS, including participating in IFRS training sessions.

Information Systems:

The accounting processes of the Company are simple and no major challenges are expected. The Company expects that no significant historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures:

Since the Company is listed on the TSXV, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National Instrument 52-109. Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets. Business processes will be monitored through 2011 to determine unsuspected impact.

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 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, and promissory note 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 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.

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 dollar, as well as the Canadian dollar and Mexican pesos. At December 31, 2010, the Company had a net monetary asset position of US$257,336 and its net monetary position denominated in Mexican pesos are negligible. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of $25,732.

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

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 of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

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

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

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

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

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

Other

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

Trends

Trends in the industry can materially affect how well any junior exploration company is performing. The price of precious metals, in particular gold and silver, remains high and as a result worldwide exploration is starting to pick up. Under the current economic conditions, Lincoln is advancing its properties as quickly as possible while still remaining prudent when considering large cost items such as drilling and geophysics. Lincoln management believes that the gold price will continue its general upward trend and that the metals price will be higher at the end of 2011.

Outlook

The outlook for precious metals continues to improve and this is reflected in Lincoln's increased financial strength. The prospect for financing the Company's projects is better and this will enable the Company to continue as a viable entity. Lincoln's advanced-stage properties, Pine Grove and Oro Cruz, will require significant investment as they transition into development state projects. Staff and contractor requirements are expected to increase as Lincoln fast-tracks these properties to production. Exploration costs at La Bufa will also increase if a drilling program is commenced. Lincoln management believes that the Company is on its way to becoming a new junior gold-silver producer in stable countries with no threat to mineral tenure or repatriation of mining profits.

Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.