



LINCOLN MINING CORPORATION

**Unaudited condensed interim
Consolidated financial statements**

for the nine months ended September 30, 2018

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Notice to Reader

Management has prepared the unaudited condensed interim consolidated financial statements for Lincoln Mining Corporation (the "Company") in accordance with National Instrument 51-102 released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2018.

LINCOLN MINING CORPORATION
Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

As at September 30, 2018 and December 31, 2017

(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	As at September 30, 2018	As at December 31, 2017
		\$	\$
Assets			
Current assets			
Cash		67,721	21,899
Receivables		48,919	35,762
Prepaid expenses		14,149	115,892
		130,789	173,553
Non-current assets			
Equipment		3,521	6,059
Deposits		14,062	14,006
Mineral properties	4	64,493	-
		82,076	20,065
Total assets		212,865	193,618
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5	504,575	847,054
Due to related parties	9	740,301	1,535,554
Loans payable	7	77,609	86,305
Promissory notes	8	711,537	604,810
		2,034,022	3,073,723
Non-current liabilities			
Provision for environmental rehabilitation	6	84,143	81,543
		84,143	81,543
Total liabilities		2,118,165	3,155,266
Shareholders' deficiency			
Share capital	10	23,393,348	22,118,931
Capital reserves	10	2,870,867	2,588,249
Share subscriptions received in advance	10	-	38,095
Deficit		(28,169,515)	(27,706,923)
Total shareholders' deficiency		(1,905,300)	(2,961,648)
Total liabilities and shareholders' deficiency		212,865	193,618

Nature of operations (Note 1)

Commitment (Note 13)

Subsequent events (Note 15)

Approved and authorized by the Board on November 29, 2018.

<u>"Paul Saxton"</u> Paul Saxton	Director	<u>"Andrew Milligan"</u> Andrew Milligan	Director
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LINCOLN MINING CORPORATION**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

(Unaudited)

For the three and nine months ended September 30, 2018 and 2017

(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
Exploration expenses	4, 9	144,427	140,406	493,390	129,969
Administrative expenses					
Administrative support		-	(1,099)	-	1,405
Consulting and management fees	9	31,440	31,480	107,740	92,130
Depreciation		813	37	2,538	1,233
Foreign exchange loss (gain)		(15,663)	(41,886)	37,460	(63,699)
Investor relations and shareholder services		32,321	35,834	138,666	135,602
Office maintenance		22,934	10,002	52,120	25,491
Professional fees	9	20,505	32,684	100,827	118,696
Travel		12,002	10,037	45,422	12,714
		104,352	77,089	484,773	323,572
Finance (income) and expenses					
Interest income		-	-	-	(17)
Interest expense		3,917	2,998	9,720	9,163
Gain on settlement of debts	5, 8, 9, 10	-	-	(525,291)	(3,018,025)
		3,917	2,998	(515,571)	(3,008,879)
Income (loss) and comprehensive income (loss) for the period		(252,696)	(220,493)	(462,592)	2,555,338
Basic and diluted earnings (loss) per common share		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.09
Weighted average number of common shares outstanding		74,797,176	33,853,377	69,813,737	29,697,786

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

LINCOLN MINING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended September 30, 2018 and 2017

(All amounts are in Canadian Dollars, unless otherwise stated)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Income (Loss) for the period	(462,592)	2,555,338
Items not affecting cash:		
Accrued interest expense	9,720	9,163
Depreciation	2,538	1,233
Gain on settlement of debts	(525,291)	(3,018,025)
Unrealized foreign exchange	3,976	(12,612)
Changes in non-cash working capital items:		
Decrease in accounts payable, accrued liabilities and due to related parties	(123,423)	(75,949)
(Increase) decrease in prepaid expenses and deposits	101,687	(40,711)
Increase in receivables	(13,157)	(16,694)
Net cash used in operating activities	(1,006,542)	(598,257)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of mineral properties	(64,493)	-
Net cash used in investing activities	(64,493)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements	1,004,000	720,000
Share issue costs	(6,250)	(43,050)
Loans from directors	-	1,500
Promissory notes issued for cash	130,250	-
Repayment of loans from directors	(11,143)	(7,714)
Net cash provided by financing activities	1,116,857	670,736
Net change in cash for the period	45,822	72,479
Cash, beginning of the period	21,899	47,021
Cash, end of the period	67,721	119,500

Supplemental cash flow information (Note 12)

LINCOLN MINING CORPORATION**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency**

(Unaudited)

(All amounts are in Canadian Dollars, unless otherwise stated)

	Number of shares	Share capital \$	Capital reserves \$	Share subscriptions received in advance \$	Deficit \$	Total \$
Balance at December 31, 2016	25,496,021	21,425,218	1,584,242	5,000	(29,834,738)	(6,820,278)
Private placements	14,500,000	725,000	-	(5,000)	-	720,000
Debt settlement agreements	929,496	55,770	960,000	-	-	1,015,770
Share issue costs	-	(87,057)	44,007	-	-	(43,050)
Net income for the period	-	-	-	-	2,555,338	2,555,338
Balance at September 30, 2017	40,925,517	22,118,931	2,588,249	-	(27,279,400)	(2,572,220)
Balance at December 31, 2017	40,925,517	22,118,931	2,588,249	38,095	(27,706,923)	(2,961,648)
Private placements	20,841,904	759,477	282,618	(38,095)	-	1,004,000
Debt settlement agreements	13,029,755	521,190	-	-	-	521,190
Share issue costs	-	(6,250)	-	-	-	(6,250)
Net loss for the period	-	-	-	-	(462,592)	(462,592)
Balance at September 30, 2018	74,797,176	23,393,348	2,870,867	-	(28,169,515)	(1,905,300)

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

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

1 Nature of operations

Lincoln Mining Corporation (the "Company" or "Lincoln") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 400 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is a precious metals exploration and development company.

The condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2018 comprise the Company and its subsidiaries (Note 2(b)). These condensed interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The Company is listed on the TSX Venture Exchange ("TSX-V: LMG") and the Frankfurt Stock Exchange ("ZMG").

2 Basis of Presentation

(a) Basis of preparation

The condensed interim consolidated financial statements for the nine months ended September 30, 2018 have been prepared in accordance with IAS 34 - Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2017.

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company's most recent annual consolidated financial statements for the year ended December 31, 2017.

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Going concern assumption

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has not yet determined whether its mineral properties contain ore reserves; therefore, the Company has incurred ongoing losses since inception. Further, the Company has a working capital deficiency of \$1,903,233 and total liabilities of \$2,118,165. The future success of the Company is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon establishing future profitable production, or realization of proceeds on disposal.

Management recognizes that the Company will need to raise additional funds to maintain operations 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. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

Changes in accounting standards

IFRS 9 – Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its consolidated financial statements beginning January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and lost (“FVTPL”). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company’s consolidated financial statements.

New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations are effective for future periods and have not been applied in preparing these consolidated financial statements.

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this pronouncement. The extent of the impact has not yet been determined.

(b) Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions are eliminated. Profits or losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

The condensed interim consolidated financial statements include the financial statements of Lincoln Mining Corporation, the parent company and the subsidiaries listed below:

	Country of Incorporation	Economic interests	Principal activity
Lincoln Gold Corporation	Canada	100%	Holding company
Lincoln Gold US Corporation	United States of America	100%	Mineral exploration
Lincoln Resource Group Corporation	United States of America	100%	Mineral exploration
Minera Lincoln de Mexico, S.A. de C.V.	Mexico	100%	Mineral exploration

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The activities undertaken by exploration and evaluation segment are supported by corporate activities. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and by the Board of Directors that makes strategic decisions.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include:

Income taxes

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

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

Company's title on mineral property interests

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.

LINCOLN MINING CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

4 Mineral properties

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

	United States Oro Cruz	Total
	\$	\$
Opening balance	-	-
Acquisition of mineral properties	64,493	64,493
Closing balance	64,493	64,493

Exploration expenditures (recoveries) incurred during the nine months ended September 30, 2018:

	United States		Other Properties	Total
	Pine Grove	Oro Cruz		
	\$	\$	\$	\$
Contractors	222,869	-	6,589	229,458
Drilling and metallurgical	5,039	-	-	5,039
Field supplies	477	-	-	477
General administration	75,104	-	-	75,104
Geochemistry	1,220	-	-	1,220
Land maintenance	1,011	30,450	-	31,461
Permitting environment	120,443	-	-	120,443
Property evaluation	48,812	-	-	48,812
Travel and accommodation	1,511	467	-	1,978
Recovery from a joint venture partner	(20,602)	-	-	(20,602)
Total mineral property expenditures	455,884	30,917	6,589	493,390

Exploration expenditures (recoveries) incurred during the nine months ended September 30, 2017:

	United States		Other Properties	Total
	Pine Grove	Oro Cruz		
	\$	\$	\$	\$
Contractors	163,049	2,614	-	165,663
Field supplies	910	-	-	910
General administration	97,922	343	-	98,265
Geochemistry	77,086	-	-	77,086
Land maintenance	3,286	30,722	-	34,008
Legal	7,476	-	-	7,476
Permitting environment	118,794	-	-	118,794
Property evaluation	12,228	1,634	7,546	21,408
Vehicle operating	1,025	1,346	-	2,371
Recovery from a joint venture partner	(287,209)	(108,803)	-	(396,012)
Total mineral property expenditures	194,567	(72,144)	7,546	129,969

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

United States

(a) Pine Grove Property, Nevada

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

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

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

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

- US\$10,000 upon signing the agreement (paid); and
- US\$30,000 prior to each one year anniversary of the lease (Years 1-6 paid by the Company; Years 7-10 paid by Goldcliff Resource Corporation ("Goldcliff")).

- (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 (paid to date).

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

The following work commitments must be made by the Company:

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

Upon commencement of production the Company must pay an NSR of 2.5% - 5% on various claims and areas of interest. 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.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

In June 2016, Goldcliff, a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

- (iv) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp (“Lincoln US”) entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the “Cavanaugh property”) situated at the Company’s Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors have received a total of US\$650,000 and 40,000 common shares of the Company as follows:
- On closing US\$250,000 and 15,000 shares (paid)
 - August 23, 2011 US\$150,000 and 15,000 shares (paid)
 - August 23, 2012 US\$150,000 and 10,000 shares (paid)
 - August 23, 2013 US\$100,000 (paid)

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.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the “Agreement”) with Placer Solutions LLC (“Placer”), a private company based in Montana, USA, to explore the placer claims on Lincoln’s Pine Grover project in Nevada (the “Claim”). The Agreement applies to the Company’s Pine Grove placer claims only as it is the Company’s intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Claims for a one-time payment of US\$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US\$10,000 (received) for the first year and US\$6,000 thereafter and a net operating profit royalty of 20% (the “Lease Option”).

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US\$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer’s discretion upon 60 days’ written notice to the Company.

- (v) In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US\$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

During the year ended December 31, 2017, the Company was informed by the Nevada State Division of Water Resources that it was forfeiting certain water rights at Pine Grove for non-use. This was at the time when the Company was in the process of applying for a point of diversion change.

The Company filed a petition for judicial review of the decision of the Division of Water Resources seeking reinstatement of the water rights and the right to apply for an extension of time to place the water to beneficial use. The District Court entered its written decision in August 2017 granting the Company’s petition. Lincoln has applied for an extension of time to place the water to beneficial use and will apply to change the point of diversion of the water to the Company’s proposed mine site.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

(b) Oro Cruz Property, California

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

- US\$50,000 on the execution date of the agreement (paid)
- US\$50,000 by February 22, 2011 (paid)
- US\$75,000 by February 22, 2012 (paid)
- US\$75,000 by February 22, 2013 (paid)
- US\$100,000 by February 22, 2014 (\$50,000 paid)
- US\$100,000 by February 22, 2015 (not paid)
- US\$150,000 by February 22, 2016 (not paid)
- US\$200,000 by February 22, 2017 (not paid)
- US\$200,000 by February 22, 2018 (not paid) 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.

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 (incurred)
- US\$300,000 during the third lease year (incurred)
- US\$350,000 during the fourth lease year (not incurred)
- US\$400,000 during the fifth lease year (not incurred)
- US\$450,000 during the sixth lease year (not incurred)
- US\$500,000 during the seventh lease year (not incurred)

On May 9, 2017, the Company entered into a letter agreement, through its subsidiary, Lincoln Gold US Corp. ("Lincoln US"), granting Ausgold Resources Pty. Ltd. ("Ausgold") an option until June 30, 2017 to enter into a joint venture agreement for the development of the Oro Cruz Property located in Imperial County, California ("JV Option"). As consideration for granting the JV Option, Ausgold has paid Lincoln US USD\$7,500 and committed to purchasing USD\$30,000 worth of securities in the Company's next private placement.

If the JV Option is exercised, the joint venture will cover the Hercules claims and the 131 claims held by Lincoln US as well as any mining interests or mineral properties acquired by either party within five miles of the Lincoln US claims.

On March 26, 2018, the Company has terminated the option it granted to Ausgold on May 9, 2017 on the Oro Cruz property as a consequence of Ausgold not satisfying its obligations under the option agreement. Lincoln retains the property in good standing and is in the process of reacquiring an option on the Hercules claims.

LINCOLN MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

On May 1, 2018, the Company entered into a Purchase Option Letter agreement to re-acquire a 100% interest in the Hercules claims from ADGIS, Inc. ("ADGIS") (this agreement replaces the original agreement from February 2010). The Company must make scheduled payments to ADGIS totaling US\$500,000 over five years and royalty payments as follows:

- US\$25,000 by May 15, 2018 (paid)
- US\$25,000 by August 1, 2018 (paid)
- US\$25,000 by October 1, 2018 (paid) (Note 15)
- US\$25,000 by December 1, 2018
- US\$50,000 by May 15, 2019
- US\$50,000 by May 15, 2020
- US\$100,000 by May 15, 2021
- US\$100,000 by May 15, 2022
- US\$100,000 by May 15, 2023
- 2% net smelter return royalty from production within the Hercules claim boundaries ("Hercules Royalty")
- 1% net smelter return royalty from production generated by the Company outside the Hercules claim boundaries and within a 1-mile radius of the Hercules claims ("Buffer Royalty")

0.5% of the Hercules Royalty and the Buffer Royalty together can be repurchased by the Company for US\$500,000, which would reduce the Hercules Royalty to 1.5% and the Buffer Royalty to 0.5%.

An additional 0.5% of the Hercules Royalty can be repurchased by the Company for US\$500,000 to reduce the Hercules royalty to 1%.

5 Accounts payable and accrued liabilities

On January 3, 2018, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$1,046,481. Of this amount, 11,285,513 common shares were issued to settle indebtedness to certain related parties of \$959,269, 1,100,801 common shares were issued to settle indebtedness to creditors of \$55,040 and 643,441 common shares were issued to settle promissory notes payable of \$32,172 (Notes 8, 9 and 10).

6 Provisions

The Company's recognized a constructive provision for environmental rehabilitation relating to a Pine Grove Property road, which will require future cleanup costs estimated to be approximately US\$70,000. Management expects that the cleanup costs would be incurred in the future, at the end of the expected useful life of the property, however, as the technical feasibility of Pine Grove Property has not been completed yet, the life of the property is uncertain at the reporting date. The provision represents best management estimates and includes the following assumptions: term - 10 years; inflation rate - 0.7%, pre-tax risk-free interest rate - 2.8%.

The closing balance is summarized as follows:

	September 30, 2018	December 31, 2017
Beginning balance	\$ 81,543	\$ 87,276
Changes in exchange rates	2,600	(5,733)
Closing balance	84,143	81,543

During the nine months ended September 30, 2018, the finance costs in relation to the accretion of the provision are negligible.

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7 Loans payable

The following loans were provided by directors, former directors and insiders to the Company to support its working capital requirements.

	Nine months ended September 30, 2018	Year ended December 31, 2017
	\$	\$
Opening balance	86,305	1,392,381
Loans provided during the period	-	17,900
Loans repaid during the period	(11,143)	(29,605)
Interest accrued during the period	2,447	3,981
Settlement of debt	-	(1,298,352)
Closing balance	77,609	86,305

During the year ended December 31, 2017, the Company received \$17,900 (2016 - \$14,310), and repaid \$29,605 (2016 - \$2,200), unsecured demand loan from the President of the Company. During the nine months ended September 30, 2018, the Company repaid \$11,143. The remaining balance of the loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty. As at September 30, 2018, the loan payable balance to the President of the Company is \$77,609 (December 31, 2017 - \$86,305).

Effective January 1, 2016, all loans, except for the loans received from the President of the Company, ceased to accrue interest.

On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$1,298,352 was included in loans payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 929,496 common shares of the Company and 16 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and non-assessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue (Notes 8 and 10).

8 Promissory notes

	Nine months ended September 30, 2018	Year ended December 31, 2017
	\$	\$
Opening balance	604,810	3,332,057
Interest accrued during the period	7,273	14,898
Issuance of promissory notes	130,250	-
Settlement of promissory notes	(32,172)	(2,735,443)
Foreign exchange	1,376	(6,702)
Closing balance	711,537	604,810

On February 28, 2014, the \$2,300,000 convertible debenture held by Procon Mining and Tunneling Ltd. and its affiliates (collectively, "Procon") (plus approximately \$175,000 in accrued interest), was repaid in full and discharged using funds through promissory notes maturing February 28, 2019 from companies controlled by two directors of the Company (the "Loans"). The Loans were interest bearing at a rate of 6% per annum, payable monthly commencing April 1, 2014. Concurrent with the transaction, the two directors resigned from the Company. Effective January 1, 2016, the Loans ceased to accrue interest.

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On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$2,735,443 was included in promissory notes payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 929,496 common shares of the Company and 16 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and non-assessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue (Notes 7 and 10).

During the year ended December 31, 2014, the Company received advances pursuant to a promissory note of \$1,029,000 from Golden Dreams Limited Partnership ("GDLP"), the general partner of which is Mr. Ronald K. Netolitzky, a control person of the Company. The advances were unsecured and would not bear interest until November 2014. In October 2014, the Company issued 6,860,000 common shares at a value of \$0.15 per share to settle the debt of \$1,029,000. During the year ended December 31, 2015, the Company also received advances of \$25,000 (2014 - \$400,000) from Mr. Ronald K. Netolitzky. During the year ended December 31, 2016, the Company received additional \$15,000. The advances are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received \$50,000 from an insider of the Company. The loan is unsecured and evidenced by promissory notes bearing interest at 6% per annum, calculated and payable on demand. The Company may prepay the principal, in whole or in part, at any time without penalty.

During the year ended December 31, 2015, the Company received US\$66,000 from a company that has an insider in common with Lincoln. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 6% per annum. The Company may prepay the principal, in whole or in part, at any time without penalty. During the year ended December 31, 2017, the existing promissory note was terminated and both parties subsequently entered into a new promissory note agreement consisting of the existing principal and interest in the aggregate amount of US\$71,000. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 9% per annum. Principal and accrued interest was payable upon termination of the note on September 15, 2017. On January 3, 2018, the Company issued 643,441 common shares for settlement of debt in the amount of \$32,172 (Note 10). The Company is currently in default of this note and is renegotiating the terms of the note.

During the year ended December 31, 2016, the Company received \$6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

On August 24, 2018, the Company received \$65,180 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On September 11, 2018, the Company received an additional \$65,070 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

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9 Related party transactions

The following transactions were carried out with related parties:

Key management personnel – services rendered and other compensation

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the nine months ended September 30, 2018 and 2017 were as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
Management fees	92,500	81,000
Exploration expenses	108,082	89,978
Accounting fees	45,000	55,250
Total	245,582	226,228

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

Balance due to related parties

	As at September 30, 2018	As at December 31, 2017
	\$	\$
Executive officers and their controlled companies	725,301	1,389,285
Directors	15,000	154,269
Total	740,301	1,543,554

Balance due from related parties

	As at September 30, 2018	As at December 31, 2017
	\$	\$
Executive officers and their controlled companies	841	18,596
Total	841	18,596

The balances due from related parties are included in receivables.

On January 3, 2018, the Company issued 11,285,513 common shares for settlement of debt to management and directors of the Company in the amount of \$959,269 (Note 10).

Loans from related parties

See Notes 7 and 8 for further details.

Other transactions with related parties

During the nine months ended September 30, 2018, the Company received \$25,596 (2017 - \$24,300) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

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10 Share capital and reserves

a) Authorized share capital

As at September 30, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

On April 26, 2017, the Company closed a non-brokered private placement. The Company issued a total of 11,400,000 units at a price of \$0.05 per unit for total gross proceeds of \$570,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022. The Company paid \$32,200 in cash commissions and issued a total of 644,000 finder's warrants having the same terms as the private placement warrants. The fair value of the finder's warrants was \$38,510 calculated using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 5 years; expected volatility – 265.58%; expected dividend yield – 0%; and risk-free rate – 1.07% (Note 12).

On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795. Under the terms of the Settlement, the Creditors were issued an aggregate of 929,496 common shares of the Company valued at \$55,770 and 16 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and non-assessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue (Notes 7, 8 and 12). The Settlement includes, amongst other things, a restriction on the exercise of the Special Warrants such that the Company shall not be obligated to issue any Special Warrant Shares upon the purported exercise of the Special Warrants if immediately following the exercise of such Special Warrants, the Creditors and their affiliates hold in aggregate more than 9% of the issued and outstanding common shares of the Company. The Special Warrants have no voting rights and no entitlement to dividends. The fair value of the Special Warrants was \$960,000 calculated using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 10 years; expected volatility – 223.96%; expected dividend yield – 0%; and risk-free rate – 1.59%. The common shares and Special Warrants issued resulted in a gain on settlement of debts of \$3,018,025.

On September 15, 2017, the Company closed a non-brokered private placement. The Company issued a total of 3,100,000 units at a price of \$0.05 per unit for total gross proceeds of \$155,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per share until September 15, 2019. The Company paid \$10,850 in cash commissions and issued a total of 217,000 finder's warrants having the same terms as the private placement warrants. The fair value of the finder's warrants was \$5,497 calculated using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 164%; expected dividend yield – 0%; and risk-free rate – 1.31% (Note 12).

On January 3, 2018, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$1,046,481. Of this amount, 11,285,513 common shares were issued to settle indebtedness to certain related parties of \$959,269, 1,100,801 common shares were issued to settle indebtedness to creditors of \$55,040 and 643,441 common shares were issued to settle promissory notes payable of \$32,172 (Notes 5, 8, 9 and 12). The common shares issued resulted in a gain on settlement of debts of \$525,291.

On January 26, 2018, the Company closed a non-brokered private placement. The Company issued a total of 13,421,904 units at a price of \$0.05 per unit for total gross proceeds of \$671,095. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022. The Company paid \$6,250 in cash commissions.

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On February 20, 2018, the Company closed a non-brokered private placement. The Company issued a total of 1,420,000 units at a price of \$0.05 per unit for total gross proceeds of \$71,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022.

On May 30, 2018, the Company closed a non-brokered private placement. The Company issued a total of 6,000,000 units at a price of \$0.05 per unit for total gross proceeds of \$300,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022.

b) Capital reserves

	Capital reserve - options	Capital reserve - warrants	Capital reserve – convertible debenture	Total
	\$	\$	\$	\$
Balance as at December 31, 2017	1,227,184	1,145,679	215,386	2,588,249
Private placements	-	282,618	-	282,618
Balance as at September 30, 2018	1,227,184	1,428,297	215,386	2,870,867

c) Stock options

As at September 30, 2018, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,809,000	\$0.15	November 26, 2019
1,809,000		

Stock option transactions for the nine months ended September 30, 2018 and for year ended December 31, 2017 are summarized as follows:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance, beginning of period	1,809,000	0.15	1,809,000	0.15
Balance, end of period	1,809,000	0.15	1,809,000	0.15
Options exercisable, end of period	1,809,000	0.15	1,809,000	0.15

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d) Warrants

As at September 30, 2018, the Company had share purchase warrants, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,317,000	\$0.10	September 15, 2019
32,885,904	\$0.08	April 26, 2022
36,202,904		

Warrants transactions for the nine months ended September 30, 2018 and for year ended December 31, 2017 are summarized as follows:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of period	16,893,500	0.09	1,532,500	0.12
Issued	20,841,904	0.08	12,044,000	0.08
Issued	-	-	3,317,000	0.10
Expired	(1,532,500)	0.12	-	-
Balance, end of period	36,202,904	0.08	16,893,500	0.09

e) Share subscriptions received in advance

During the year ended December 31, 2017, the Company received \$38,095 related to a private placement that closed on January 26, 2018.

11 Financial instruments

Capital risk management

The Company defines its capital as shareholders' deficiency. 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, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests 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 in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the current period.

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Categories of financial instruments

	September 30, 2018	December 31, 2017
	\$	\$
Financial assets *		
<i>Loans and receivables</i>		
Cash	67,721	21,899
Other receivables	47,074	32,504
	114,795	54,403
Financial liabilities		
Current		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	504,575	847,054
Due to related parties	740,301	1,535,554
Loans payable	77,609	86,305
Promissory notes	711,537	604,810
Non-current		
<i>Amortized at cost</i>		
Promissory notes	-	-
	2,034,022	3,073,723

* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis

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

Fair value

The carrying value of cash, other receivables, accounts payable and accrued liabilities, due to related parties, loans payable, and promissory notes approximated their fair value because of the relatively short-term nature of these instruments.

Foreign exchange risk

The Company's operations in the United States 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. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately \$3,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

Credit risk

The Company is not exposed to material 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. The Company does not hold any financial liabilities with variable interest rates.

Liquidity risk

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

Price risk

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

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12 Supplemental cash flow information

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
Cash paid for interest	-	-
Cash paid for income taxes	-	-

On April 26, 2017, the Company issued a total of 644,000 finder's warrants with a fair value of \$38,510 (Note 10).

On June 9, 2017, the Company issued an aggregate of 929,496 common shares of the Company and 16 million Special Warrants to settle outstanding debt totaling \$4,033,795 (Note 10).

On September 15, 2017, the Company issued a total of 217,000 finder's warrants with a fair value of \$5,497 (Note 10).

On January 3, 2018, the Company issued 13,029,755 common shares of the Company to settle outstanding debt totaling \$1,046,481 (Note 10).

13 Commitment

In addition to commitments disclosed elsewhere in the consolidated financial statements, pursuant to a premises lease, the Company's future lease commitment as at September 30, 2018 is as follows:

	\$
2018	14,172
2019	57,027
2020	58,389
2021	44,557
	<u>174,145</u>

14 Segmented information

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties.

The Company operates within two geographic areas – United States of America and Canada.

	Non-current assets
	\$
December 31, 2017	
United States of America	7,767
Canada	12,298
	<u>20,065</u>
September 30, 2018	
United States of America	69,826
Canada	12,250
	<u>82,076</u>

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15 Subsequent events

In October 2018, the Company made a cash payment of US\$25,000 related to the Oro Cruz property (Note 4).

On October 23, 2018, the Company received an additional US\$70,000 from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On November 15, 2018, the Company settled outstanding debt of \$20,000 with an arm's length creditor of the Company by issuing 400,000 common shares and 400,000 share purchase warrants. Each warrant entitles the holder to purchase one common share at a price of \$0.08 per share until April 26, 2022.