

Quarterly Activities Report – December 2008

HIGHLIGHTS

A primarily iron ore, uranium, copper-gold explorer on SA's Eyre Peninsula

Corporate

- Sound cash position and JVs to support ongoing though reduced 2009 exploration program
- Chinese interest in iron ore and other projects on Eyre Peninsula
- Amalgamated Expenditure Agreement established for southern Eyre Peninsula projects

Gum Flat Iron Ore

- Multiple rig RC and diamond core drilling program undertaken to define resources
- Central drill traverse across Barns Prospect identified shallow-dipping, 80m wide BIF with significant bands of high-grade magnetite
- Up to 39.0% DTR magnetic concentrate (10m @ 36.7% DTR) with concentrate grades averaging 68-71% Fe and low silica, alumina and phosphorous
- Local hematite enrichment up to 51.3% Fe (16m @ 47.6% Fe) at shallow depths above magnetite BIF
- Indian JV partner, Mineral Enterprises group, has reached 40% project milestone and is continuing to fund JV on pro-rata basis



Barns Prospect drilling
December 2008

Cummins-Wanilla Iron Ore

- Iron ore targets identified and Government approvals received for drilling
- Drilling scheduled for March 2009 part funded by Indian Mineral Enterprises group JV

Wilcherry Uranium

- Aircore drilling extended zone of uranium mineralisation
- Up to 0.05-0.07% U + 0.1-0.5% base metal
- 250m wide zone of mineralization open to north and south along strike

Kimba Gap Uranium

- Vegetation sampling has extended uranium anomaly

Torrens Copper-Gold

- PACE diamond core drilling program completed
- Major low-angle thrust fault identified as potential pathway for mineralising fluids



Figure 1: Location of Lincoln Minerals' tenements

EXPLORATION PROGRESS DURING THE QUARTER

Gum Flat Iron Ore – EL 3422

(LML has exclusive rights to all minerals subject to MEA farmout)

The Gum Flat Iron Ore Project is located on southern Eyre Peninsula within 20km of Port Lincoln. It is prospective for magnetite and hematite-goethite iron ore plus a large range of polymetallic minerals including gold, uranium, base metals (copper, lead, zinc, nickel) and graphite.

Extending west from Port Lincoln with a railway line and major highway running through the area, EL3422 is ideally located with respect to infrastructure and proximity to a major shipping port.

Lincoln Minerals has a joint venture agreement with Indian iron ore mining company Mineral Enterprises Limited (MEL) and its subsidiary Mineral Enterprises Australia Pty Ltd (MEA). MEA has now earned a 40% participating interest in EL 3422 by spending \$2.5 million on exploration. MEA achieved this important milestone during the quarter and has elected to continue funding the project on a pro-rata basis.

The ongoing exploration and resource definition program for Gum Flat continued throughout the December 2008 quarter. Reverse Circulation (RC) drilling targeted shallow hematite-goethite and magnetite targets while diamond core (DDH) drilling targeted deeper magnetite targets.

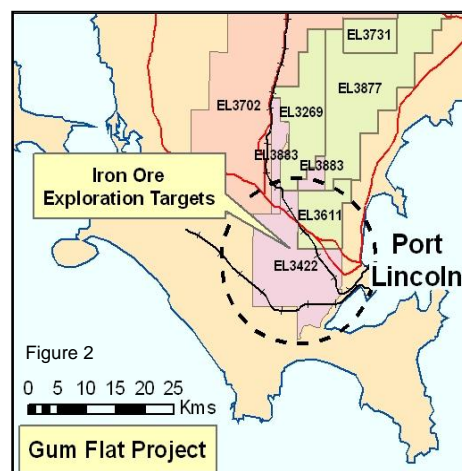
Following the granting of Government exploration work approvals for drilling within vegetation heritage agreement areas, an Aboriginal heritage survey was completed and drilling began on key targets within these areas during the quarter.

55 Reverse Circulation (RC) drill holes (total 5,700m) were drilled during the period and have outlined shallow-dipping magnetite banded iron formation (BIF) with high magnetic susceptibilities. The depth of weathering was less than expected and fresh magnetite has been intersected at depths of 40-60m below the ground surface. The depth of calcarenite sand is only 10-20m while Tertiary ferricrete, clay and sand are collectively generally less than 20m thick over the targets drilled to date. The latter is expected to thicken to the west.

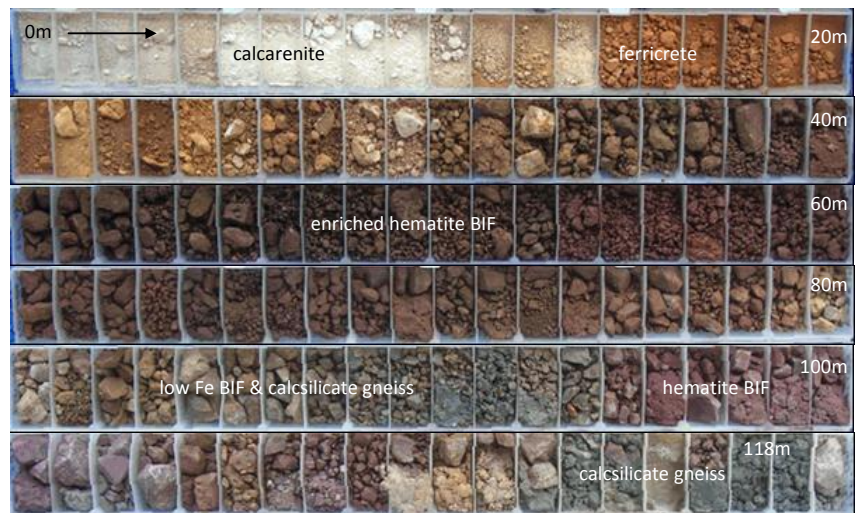
A multi-purpose drilling rig owned by MEL began diamond core drilling in November 2008 bringing to three the number of rigs working at Gum Flat at that time. Two of those rigs have subsequently completed their scheduled programs and the MEL rig is continuing drilling on the Barns Prospect. 12 DDHs (total 3,490m) were drilled during the period.

Drilling Results – Barns Prospect

Drilling across the high priority Barns exploration target has confirmed the geophysical exploration model of a shallowly west-dipping BIF sequence approximately 80m thick (Fig. 3). Within that sequence, there are bands of high grade magnetite BIF (magnetic susceptibility $>400 \times 10^{-3}$ SI) which have a cumulative thickness in drill hole GFDH016 of 55m.



High grade magnetite extends to depths of at least 230m below ground level and is open at depth. Beneath the Tertiary cover sequence, magnetite BIF is oxidised to hematite and goethite BIF to levels of approximately 60m vertical depth. There appears to be enrichment in iron (Fe) within these upper levels and preliminary field XRF analyses grade up to 43% Fe (GFRC103 68-69m). This raises the potential for locating possible direct shipping hematite ore (DSO).



GFRC103 drill hole, Barns prospect

The upper weathered and oxidised BIF sequence is overlain by 12-18m of calcarenite lime sand and by variable thickness of ferricrete, ferruginous sand and saprolitic clay. The latter appear to thicken to the northwest.

No laboratory assays are available yet for the Barns Prospect but based on magnetic susceptibility measurements on drillcore, GFDH016 intersected 80m (161-241m) averaging ca. 750×10^{-3} SI which, based on previous work, corresponds to a 30-40% magnetic DTR concentrate or ca. 32-39% Fe total rock assay (ie prior to magnetic separation).

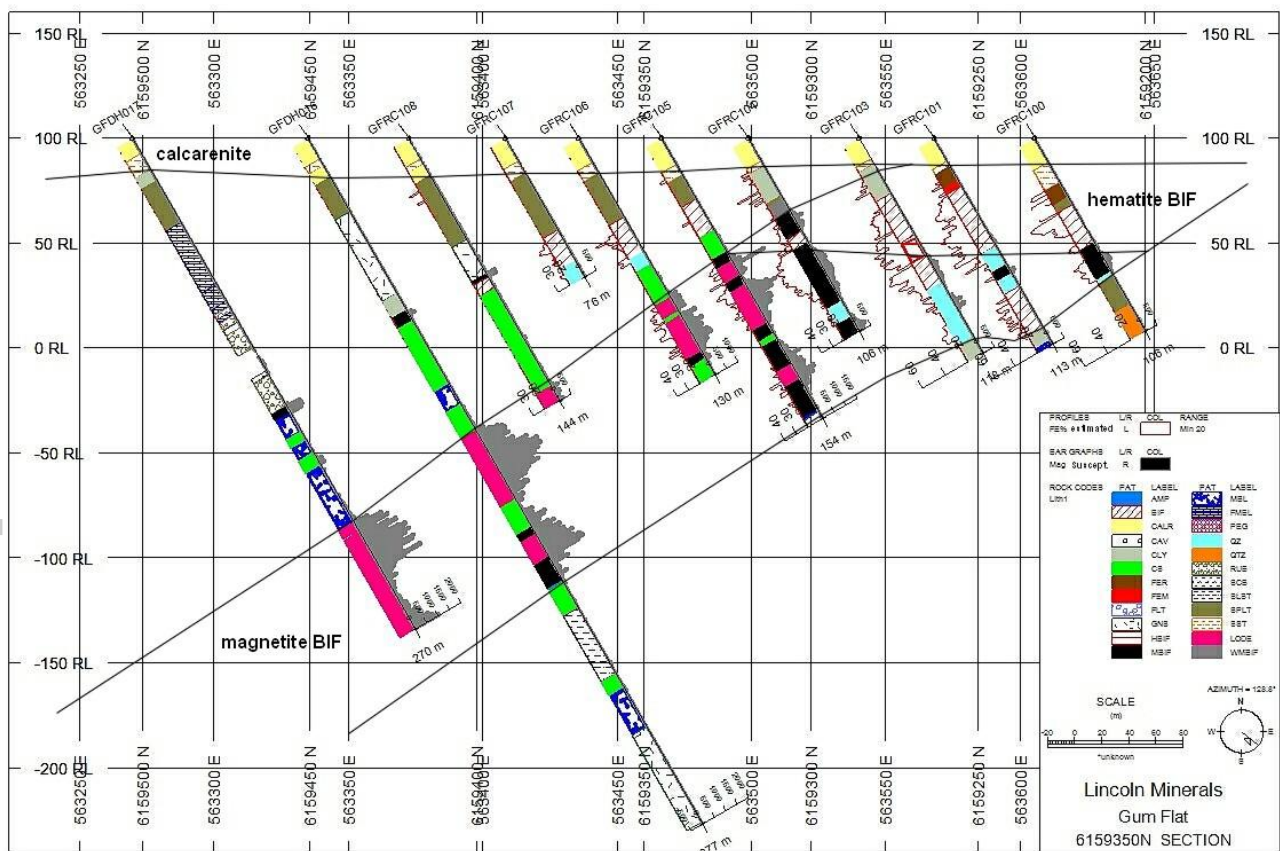


Figure 3: Southeast-northwest RC and diamond drill section across the Barns Prospect

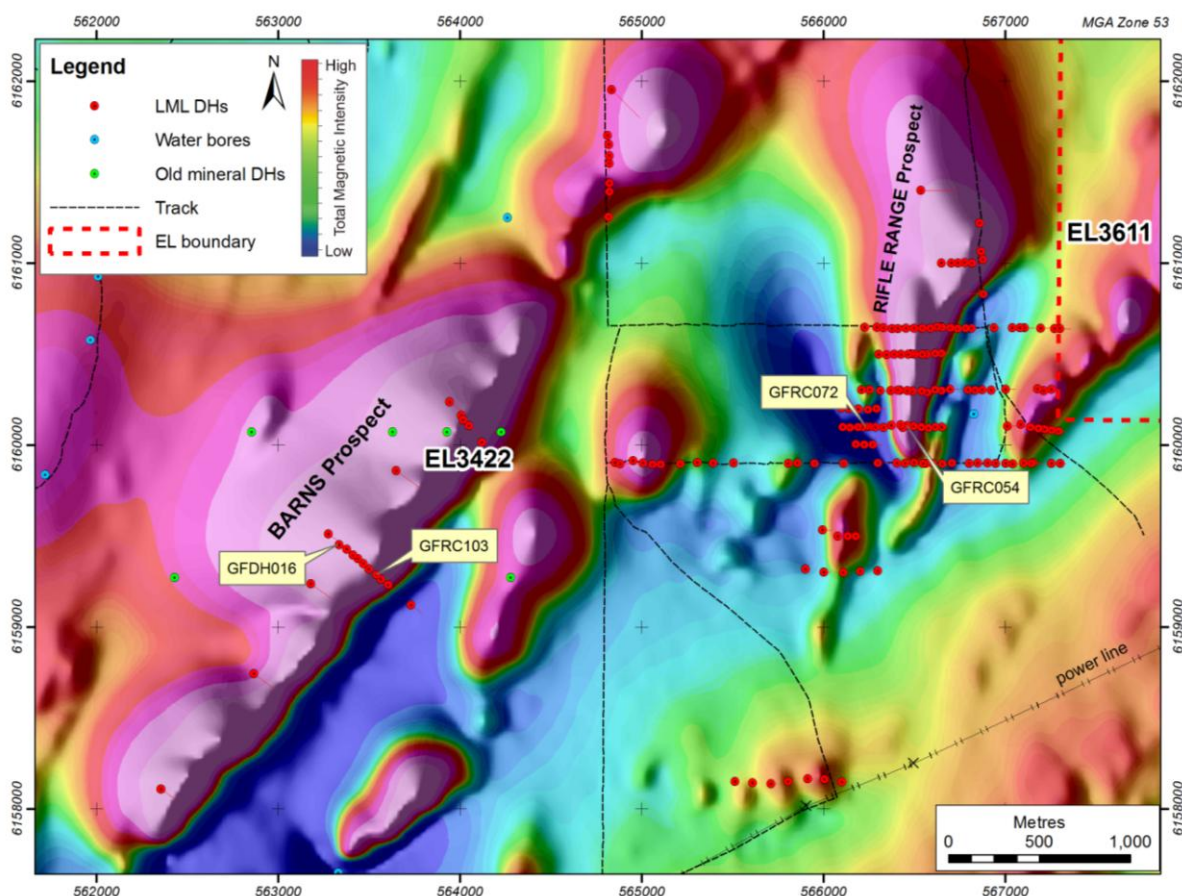


Figure 4: Total magnetic intensity map and location of drill holes, Gum Flat

Drilling Results – Rifle Range Prospect

Drilling across the Rifle Range Prospect has identified at least two, quite shallow dipping but relatively thin BIF units that are variably folded to locally define thicker drill intersections.

In RC drill hole GFR0054 using a cutoff head grade of 20% Fe, there is a 57m thick band of BIF from 29-86m averaging 29.9% Fe (head grade). The BIF is variably oxidised down to 50-55m (true depth) and contains bands of high grade magnetic ore including:

Interval GFR0054	Head Fe%	DTR %	Conc Fe%	Conc SiO ₂ %	Conc Al ₂ O ₃ %	Conc P%	Conc LOI%
36-46m	40.04	36.7	69.83	0.97	0.35	0.01	-1.64
64-74m	31.62	30.8	70.83	1.24	0.31	0.01	-3.6

DTR = Davis Tube Recovery from magnetic separation; Head grade = total rock XRF assay prior to magnetic separation; Conc grade = XRF assay of DTR magnetic concentrate

In the interval 36-46m, the magnetic fraction includes magnetite + hematite/goethite while in the deeper interval the magnetic fraction is predominantly magnetite. All samples have been ground to ca. 90% passing 70 microns.

Not all laboratory assay results have been received for the Rifle Range Prospect but there are zones of local hematite enrichment. In RC hole GFR0072, the head assays range up to 50.7% Fe and average 47.6% Fe over 16m from 32-48m.

Interval GFRC072	Head Fe%	Head SiO ₂ %	Head Al ₂ O ₃ %	Head P%	Head LOI%
32-48m	47.56	23.21	1.61	0.28	5.03

No resource calculations have yet been determined since not all assay data have been received.

Cummins-Wanilla Iron Ore

ELs 3702, 3703, 3883 and 4049

(LML has exclusive rights for all minerals on ELs 3703, 3883 and 4049, and along with JV partner MEA is earning an 80% interest for all minerals except uranium on EL 3702)

The Cummins-Wanilla project area is located on southern Eyre Peninsula and is prospective for a large range of polymetallic minerals including iron ore.

Ongoing processing and interpretation of detailed aeromagnetic and gravity surveys has been undertaken over selected targets on ELs 3702 and 3703 to identify iron ore drill targets, in particular those with direct shipping hematite iron ore (DSO) potential. Government Exploration Work Approvals have been received for drilling of selected targets and drilling is scheduled for March-April 2009. Funding of drilling on EL 3702 will be jointly paid for by LML and Indian backed JV partner, Mineral Enterprises Australia Pty Ltd.

Cockabidnie Nickel – ELs 3498, 3609 and 3884

(LML has exclusive rights to all minerals except iron on ELs 3498 and 3609 and exclusive rights to all minerals on EL 3884)

The Cockabidnie Project is located on central Eyre Peninsula near Cleve and is prospective for a range of minerals including gold, unconformity uranium and base metals (copper, lead, zinc, nickel, cobalt).

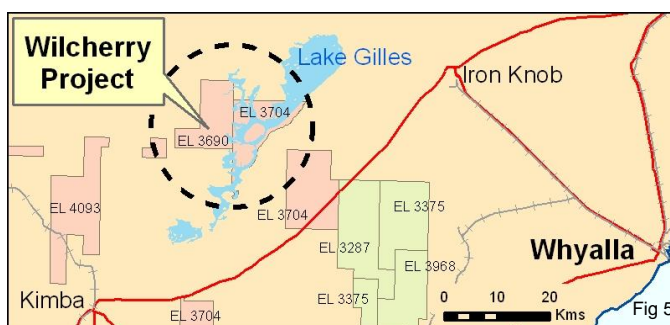
Lateritic nickel-cobalt mineralization has been discovered by LML on EL 3609 and aircore drilling programs in 2007 and early 2008 have outlined lateritic nickel-cobalt mineralisation grading up to 1.15% Ni (with 0.045% Co, 0.037% Cu and 0.18% Zn; CBAC182, 25-26m) and 0.33% Co (with 0.21% Ni and 0.07% Cu; CBAC185, 30-31m). There are significant intervals of mineralisation up to 30m wide (CBAC185, 20-50m @ 0.13% Co, 0.18% Ni and 0.05% Cu).

No work was undertaken on this project during the December 2008 quarter but a scoping study is in progress to investigate the nickel-cobalt mineralogy and potential for heap leaching. Tests will be undertaken on bulk samples collected during the 2008 aircore drilling program.

Wilcherry Uranium- ELs 3690, 3704 and 4093

(LML has exclusive rights to all minerals subject to IFE farm-out for iron on EL 3690)

The Wilcherry Project area is along strike from the Weednanna gold-magnetite and Menninnie Dam zinc-lead-silver deposits to the northwest and has potential for uranium, gold, iron ore and/or base metal mineralisation possibly with associated hydrothermal iron oxide and/or sericite alteration.



Jungle Dam Uranium Prospect

Aircore and slimline RC drilling in October 2007, RC drilling in July 2008 and further aircore drilling in October 2008 have outlined a significant new uranium discovery including intervals grading 0.05-

0.07% U accompanied by 0.1-0.5% base metal (Zn+Pb+Ni+Cu+Co) (WCAC024, 72-76m and WCRC008, 55-56m and 65-66m).

The uranium intersections are in saprolitic clay associated with pyritic and graphitic units adjacent to uraniferous calcrete, soil and red mallee vegetation anomalies with up to 17ppm U in calcrete. Additional calcrete uranium anomalies define a potential palaeochannel northeast of Eurilla Dam but drilling to date has failed to locate the source of that anomaly.

Following a successful trial survey, vegetation sampling was undertaken in 2008 along E-W lines a kilometre north and south of WCAC024 to assess strike continuity of mineralisation. Uranium anomalism in red mallee vegetation samples indicates that the mineralisation extends for at least 1km to the north.

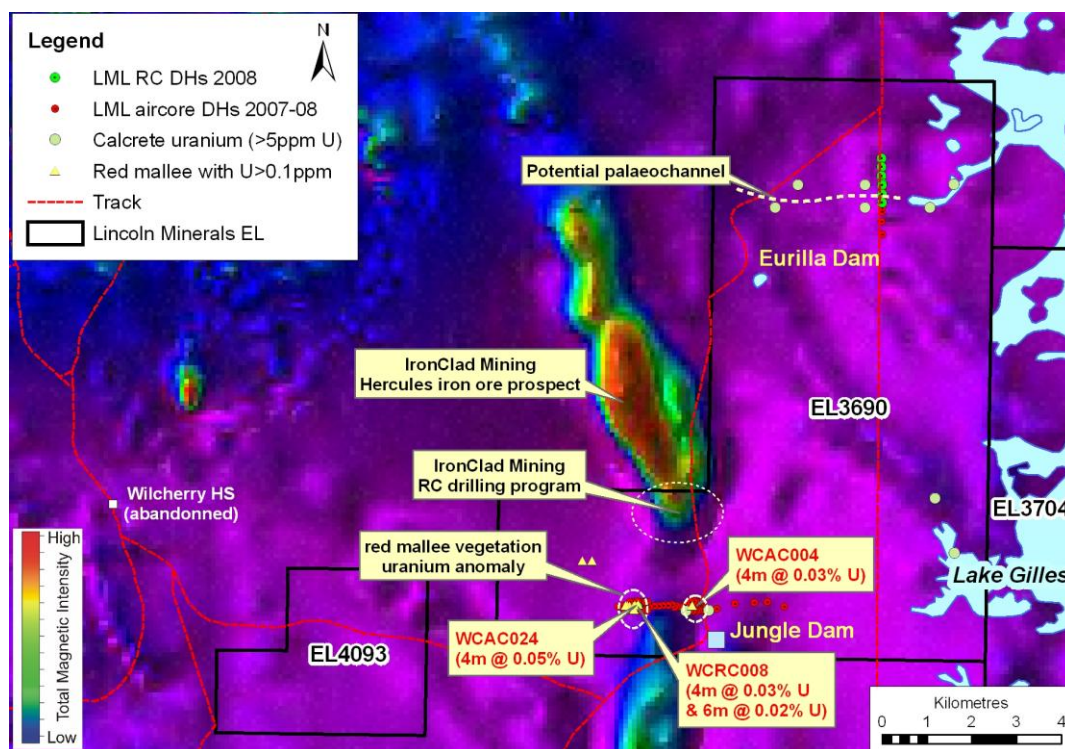


Figure 6: Calcrete / vegetation surface geochemical anomalies and LML drillholes, Wilcherry

The latest results from drilling on the Company's Jungle Dam uranium prospect were summarised in recent presentations and an announcement early in January 2009. Results include intervals grading up to 0.06% U accompanied by up to 0.5% base metal (Zn+Pb+Ni+Cu+Co) in a weathered cap rock overlying pyritic and graphitic units of the Middleback Subgroup.

The data have identified a zone of uranium mineralisation approximately 200m wide and 200m long open both to the north and south along strike (Figure 7).

The results are coincident with uraniferous calcrete-soil and vegetation anomalies.

On the basis of these encouraging results, Lincoln Minerals has commenced a scoping study to determine detailed uranium and base metal mineralogy along with leaching characteristics. This will form the basis for further exploration and development programs.

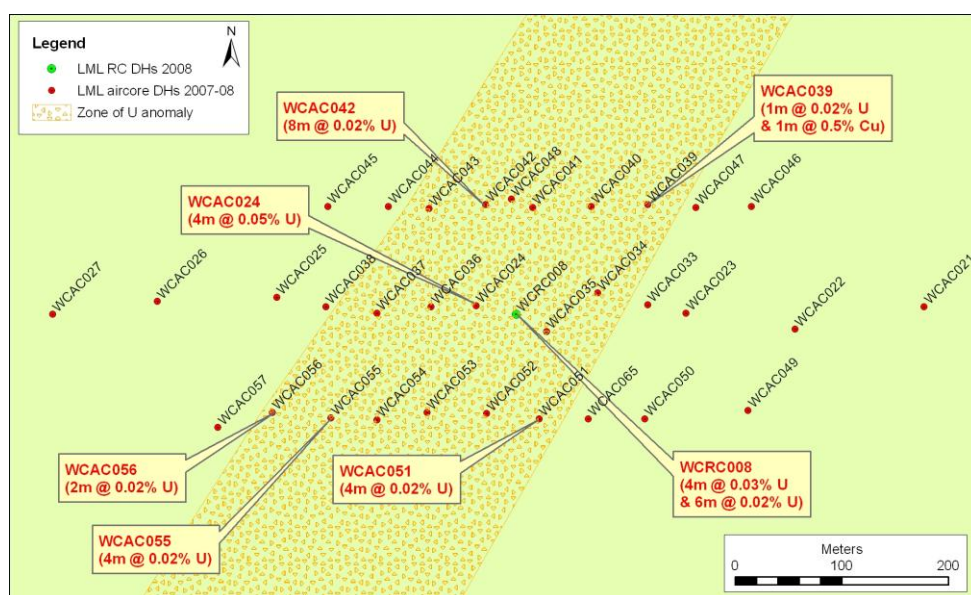


Figure 7: Lincoln Minerals' aircore and RC drilling summary, Jungle Dam Prospect

Wilcherry Iron Ore JV

Early in 2008, Lincoln Minerals signed a Heads of Agreement (HoA) with IronClad Mining Limited (ASX: IFE) under which IFE can earn up to 80% of the rights to explore for and mine iron ore within EL 3690.

EL 3690 straddles the southern extension of IFE's Hercules iron ore target including the synclinal fold axis structure.

Under the terms of the HoA, IFE has reached its first milestone by funding \$100,000 of exploration expenditure and can earn 50% equity in the iron rights by funding further expenditure to the value of \$400,000 by the end of January 2010. IFE has the option to earn a further 30% equity in the iron rights contained within EL 3690 by funding additional expenditure to the value of \$500,000 by the end of January 2012.

During 2008, IFE undertook detailed gravity and airborne magnetic surveys, RC drilling and resource modelling across the southern Hercules target in conjunction with work on the main Hercules magnetic anomaly.

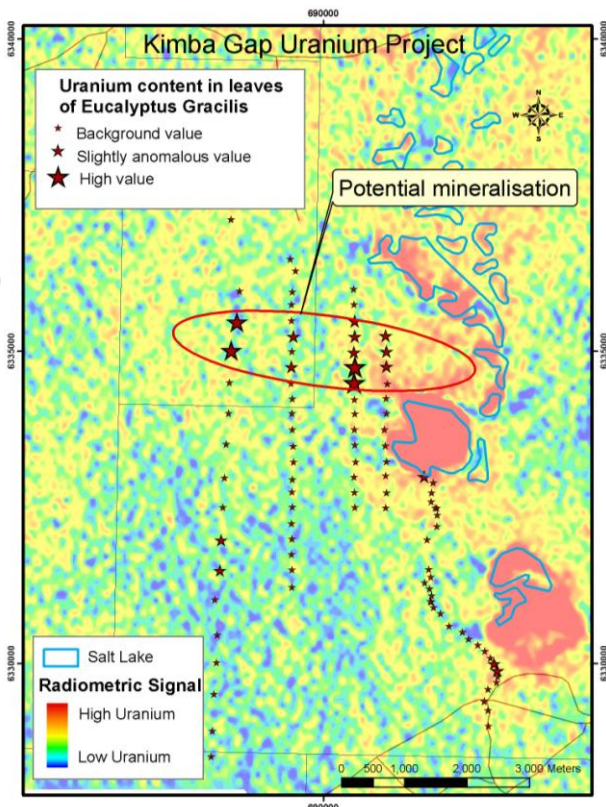
As announced by LML on 5 January 2009, the *in situ* Inferred Mineral Resource outlined by Golder Associates for that part of the Hercules target, Domains 1 to 4, within EL 3690 is 21.7 Mt @ 33.3% Fe. This includes 0.2 Mt containing 17.5% Mn + 29.2% Fe.

Stony Hill – ELs 3125, 3287, 3375, 3968, 3999 and part 3704

(LML has exclusive rights to all minerals except iron)

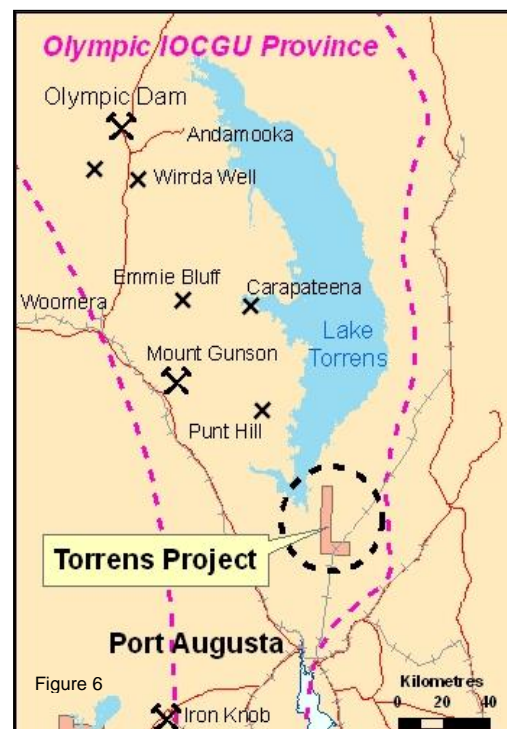
The Stony Hill project is located in northeastern Eyre Peninsula, immediately west of the Middleback Ranges within the Middleback Subdomain. It contains scattered banded iron formation (BIF), marble and calcsilicate gneiss similar to that of the Menninnie Dam lead-zinc-silver deposit surrounded by Lincoln Complex granite gneiss. BIF, marble and gneiss are overlain by extensive sand and sandy clay with local playa lakes.

Granite gneiss in the region is locally uraniferous with numerous mylonitic shear zones similar to those of southern Eyre Peninsula. There is potential for uranium mineralisation within the granite gneiss, particularly within shear zones, and in palaeodrainage channels that drain from the gneisses. There is a significant uranium anomaly with a high uranium/thorium ratio in lakes near Kimba Gap.



Reconnaissance and follow-up vegetation sampling on EL 3968 in the Kimba Gap area around the margins of one of the lakes with high U/Th ratios has located a significant zone of uranium anomalism. This is interpreted to represent a potential palaeodrainage channel. Further vegetation sampling is planned to identify and prioritise drill targets.

Calcrete sampling in the Stony Hill area (ELs 3287 and 3704) has identified minor uranium anomalism that will also be followed up in the coming year.



Torrens Project – EL 3563

(LML has exclusive rights to all minerals)

The Torrens Project (EL 3563) is focussed on copper and iron-oxide copper-gold-uranium (IOCGU) targets within the Olympic Dam structural province. It is located southeast of Lake Torrens approximately 50km north of Port Augusta.

Interpretation of detailed gravity and ground magnetic data acquired by LML supported the presence of shallow, high density basement and overlying Beda Volcanics and Adelaidean sediments thrust from east to west in what has been interpreted as a “thrust anticline”. LML believes that this structure could be the focus for potential sediment-hosted copper (Zambian Copper Belt or Kupferschiefer style) and/or IOCGU mineralisation associated with the uplifted block.



Drilling over the thrust-anticline target was completed during the December 2008 quarter. A SA Government Program for Accelerated Exploration (PACE) grant of \$100,000, to assist with drilling of this structure, was awarded to LML in February 2008.

Drilling intersected Tertiary sediments of the Pirie-Torrens Basin down to 197.8m then a sequence of early Adelaidean red sandstone to 308.6m and mafic volcanics (Beda Volcanics) to 633.9m. At 633.9m, drilling intersected a 3m wide cataclastic thrust zone then went into 38m of Brachina Formation overlying Elatina

Formation in which the drill hole finished at 1002.3m. The Adelaidean Brachina and Elatina formations are younger than the Beda Volcanics that have been thrust over them.

Although no significant mineralisation was intersected in the drill hole other than trace copper in the Beda Volcanics, the presence of the thrust fault and associated alteration has important implications for potentially mineralised fluid flow, tectonic modelling and localisation of potential mineralisation. LML will continue work on the drill samples and structural/mineralisation models.

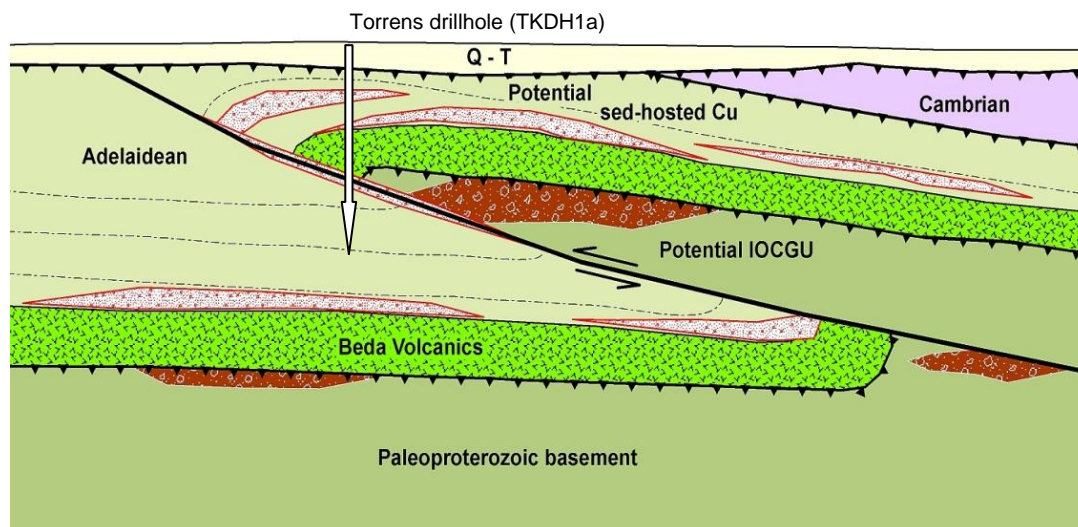


Figure 7: Thrust anticline geophysical and structural model of the Yadlamalka Thrust and location of diamond core drilling

CORPORATE

The Company is in a sound financial position with approximately \$3.5m net cash available. In view of the current financial climate, the Company has reviewed and plans to maintain a reduced ongoing exploration program that will continue to add value to its various projects. Scoping studies are in progress on two projects, Cockabidnie and Wilcherry, to determine their suitability for heap leaching, and Gum Flat is undergoing a major desk-top resource definition phase and scoping study to determine the scope, cost and potential for mine development.

One option being considered by the Board is to invite new joint venture parties to participate in one or more of the Company's projects. LML has strong ongoing support from joint venture partner Mineral Enterprises Limited on its main iron ore projects at Gum Flat and Vanilla. In addition, there has been recent interest shown by Chinese delegations in the Company's iron ore and other main projects. The Board will consider any additional joint venture arrangements on the Company's projects.

In November 2008, the Department for Primary Industries and Resources SA (PIRSA) approved the amalgamation of ELs 3422, 3703, 3883 and 4049 in the Gum Flat-Cummins region within an Amalgamated Expenditure Agreement (Southern Eyre AEA). This recognises the advanced nature of exploration for iron ore in this region and, in particular, on Gum Flat EL 3422.

The principal conditions of this AEA are:

- A minimum expenditure of \$185,000 for the 12 month period ending 30 June 2009; and
- A minimum of 25% of the combined tenement area is surrendered in the 12 month period ending 30 June 2009. However, if over \$500,000 is spent, the area reduction will be reduced to 10%.

Expenditure on the combined area since June 2008 has substantially exceeded \$500,000 so LML has already satisfied the expenditure requirement and will only be required to reduce the area by 10%.

Board and Management

Richard V. Ryan AO

Dr A John Parker

Peter E. Cox

Robert A. Althoff

Chairman (Non-Executive)

Managing Director

Director (Non-Executive) and Company Secretary

Director (Non-Executive)

Securities on Issue at 31 December 2008

Shares	75,372,221
Options outstanding	
Exercisable at 30 cents, expiring 30 June 2010	35,776,854
Exercisable at 20 cents, expiring 31 December 2011	4,550,000
Exercisable at 25 cents, expiring 31 December 2011	300,000
Exercisable at 30 cents, expiring 31 December 2011	110,000
Total Options	40,736,854

Tenements at 31 December 2008

Tenements	Exclusive Rights	Area (sq km)
10	All minerals	1,764
15	All minerals except iron ore	1,947
1	All minerals except uranium	1,000
	TOTAL	4,711

Information in this report that relates to exploration activity and results was compiled by Dr A John Parker who is a Member of the Australasian Institute of Geoscientists. Dr Parker is Managing Director of Lincoln Minerals Limited and has sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as a Competent Person as defined by the JORC code, 2004. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.

Information in this report that relates to mineral resource estimates of the Hercules Iron Ore prospect was compiled by Mr Alan Miller who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Golder Associates Pty Ltd and Mr Brendan Borg who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of IronClad Mining Ltd. Both Mr Miller and Mr Borg have sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as Competent Persons as defined by the JORC Code, 2004. Mr Miller and Mr Borg have consented to the release of the information compiled in this report in the form and context in which it appears.