

25 February 2009

The Manager  
ASX Announcements

Dear Sir,

### **Heads of Agreement signed on high grade Indonesian Iron Ore Mining Project**

Lincoln Minerals Limited ("LML") is pleased to announce that the Company has concluded a Heads of Agreement (HoA) with Indonesian mining house, Samusa Corporation of Jakarta, to establish a new iron ore joint venture to explore and exploit Samusa's Desa Mirah Kalanaman iron ore mine and surrounding exploration concession in the south-central area of the Indonesian island of Kalimantan (Borneo).

High grade iron ore stockpiles and outcropping ore, Desa Mirah



#### **Key points:**

- Lincoln will earn a 45% interest in the mine and exploration concession
- Proposed conditional initial JV commitment by Lincoln of US\$2 million
- Mining to commence immediately
- Plan for 250,000 tpa mine increasing if sufficient resources are defined
- Existing 7,000t ore stockpile sold under three month contract to Chinese buyer
- First overseas project expansion for Lincoln
- Enables near-term move from iron ore explorer to iron ore producer.

Lincoln Minerals was invited to become a party to this joint venture because of its expertise in the geological aspects of this project.

#### **Mine background**

Samusa – which mines iron ore, iron sand, lead, manganese, copper and chrome – has exclusive rights to mine and sell iron ore from two areas in south central Kalimantan: a 4,911 hectare exploration area (Exploration No. 188.4 / 320-SK / Distambe / 2006) that also

includes a 200 hectare exploitation (mining) area (Exploitation No. 238 Tahun 2008) upon which trial mining operations have already commenced.

A small parcel of 7,000-10,000 tonnes (t) of high grade iron ore has been mined and selected samples range from 64.3% to 68.7% Fe. A sample of ore assayed for Lincoln Minerals by Amdel Ltd produced the following results:

Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	Mn%	LOI%
67.2	0.74	0.41	<0.001	0.025	2.8

In addition to the mining and exploration concessions, Samusa has also developed a stockpile site, weighbridge and barge loading facility at Pundu approximately 70km from the mine site on a river that flows down past the port of Sampit. The interest, benefits, usage and title in the Pundu Jetty facility, weighbridge, surrounding land and quarters are included in the terms of the Heads of Agreement.

### **Terms of agreement**

The essence of the Heads of Agreement provides that Lincoln Minerals will contribute US\$2.0 million of funding in respect of the initial mining and exploration program at Desa Mirah, targeting direct shipping hematite iron ore (DSO). Funds will be provided by Lincoln on an "as needs" basis but the joint venture arrangement has been framed so that proceeds of the sale of ore can be offset against Lincoln's contribution obligations. For every tonne over and above 2 million tonnes of JORC-compliant Inferred Resources from the concession area, Samusa shall be entitled to a further compensation of US\$0.10 per tonne. Note that no JORC-compliant resource has yet been defined.

Subject to certain rights to withdraw, Lincoln will acquire a 45% interest in the Project. If it is determined within 12 months from the date of the Heads of Agreement that the mining concession contains less than 250,000t of iron ore (with an average grade of at least 63% Fe), then Lincoln's obligations shall cease and it may surrender its 45% interest.

Lincoln Minerals has separately loaned US\$50,000 to Samusa to enable mining operations to commence immediately and to enable the existing ore stockpile (approximately 7,000t) to be transported from the mine and loaded onto barges. A 3-month contract has been agreed to with a Chinese buyer to purchase this ore consignment FOB (Freight on Board) the barges. The loan by Lincoln will be repaid by Samusa from proceeds from the sale of the ore stockpile.

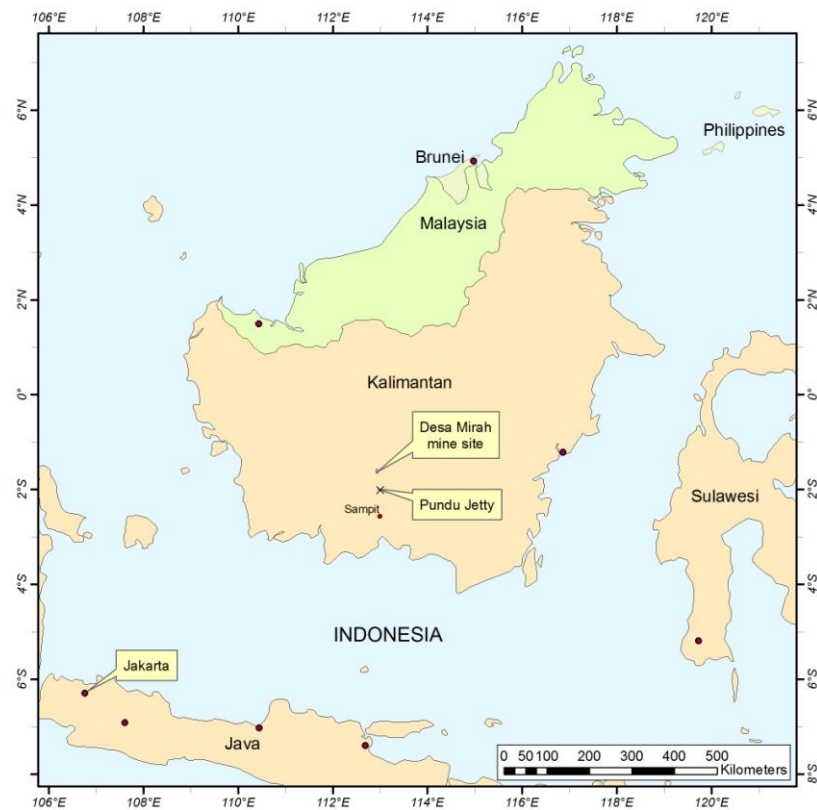
Consequent upon establishment of a suitable orebody at Desa Mirah, it is planned to develop a small scale, high grade mining operation producing about 250,000t of iron ore in the first 12 months but ramping up to increased production if sufficient resources can be defined. Field reconnaissance by Lincoln Minerals has identified outcrops both within and outside the exploitation area containing in excess of 61% Fe. It is planned to commence a drilling program as soon as possible to define the extent of the resource. The iron ore is of lateritic style and forms a relatively flat-lying sheet beneath thin alluvium but cropping out along gullies and hill slopes.

This is an exciting development for Lincoln Minerals and will enable the Company to become an iron ore producer at little or no cost to its existing investors while it also pursues development of its advanced iron ore exploration projects on South Australia's Eyre Peninsula.

Yours truly,



Dr A John Parker  
Managing Director



*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.*