

# Quarterly Activities Report – March 2010

## SUMMARY

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### **Heads of Agreement signed by Lincoln and Jiangyin Huaxi Steel Co., Ltd**

- \$8.25 million direct investment agreement for 15 million shares at 55 cents per share
- Proposed offtake agreement for iron ore from Gum Flat

### **SOUTH AUSTRALIA**

#### **Gum Flat Iron Ore**

- Third resource drilling program completed:
  - 0.9 Mt potential direct shipping (DSO) hematite Indicated Resource at 55% Fe
  - Barnes magnetite deposit extended along strike and at depth
- Detailed metallurgical study completed for magnetite ore
- Grinding to P<sub>80</sub> of 40 microns produces good BF grade concentrate of 1.4 Mt from 5.0 Mt ore
- Signed contract to buy back 40% interest held by Indian JV partner
- Scoping study in progress for DSO hematite and magnetite beneficiation
- Detailed hydrogeological groundwater study commenced

#### **Wilcherry Iron Ore**

- Lincoln retains 100% ownership of 21.7Mt iron ore Inferred Resource
- Drilling program next quarter to evaluate extensions to iron ore and uranium mineralisation

#### **Bungalow Vanadium**

- 0.4-0.6% V<sub>2</sub>O<sub>5</sub> in magnetic concentrates

### **INDONESIA**

- Ongoing evaluation of high grade manganese in western Timor and additional projects in Kalimantan, Sulawesi and Flores

### **CORPORATE**

- New Coordination Agreement and revised Deeds of Consent and Assumption established with Centrex Metals Limited:
  - Re-affirms Lincoln's rights to all non-ferrous metals and minerals on Centrex ELs
  - Sets out framework for exploration and co-development of coincident resources

*It is emphasized that exploration target tonnage estimates given in this report are entirely conceptual in nature. There has been insufficient drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

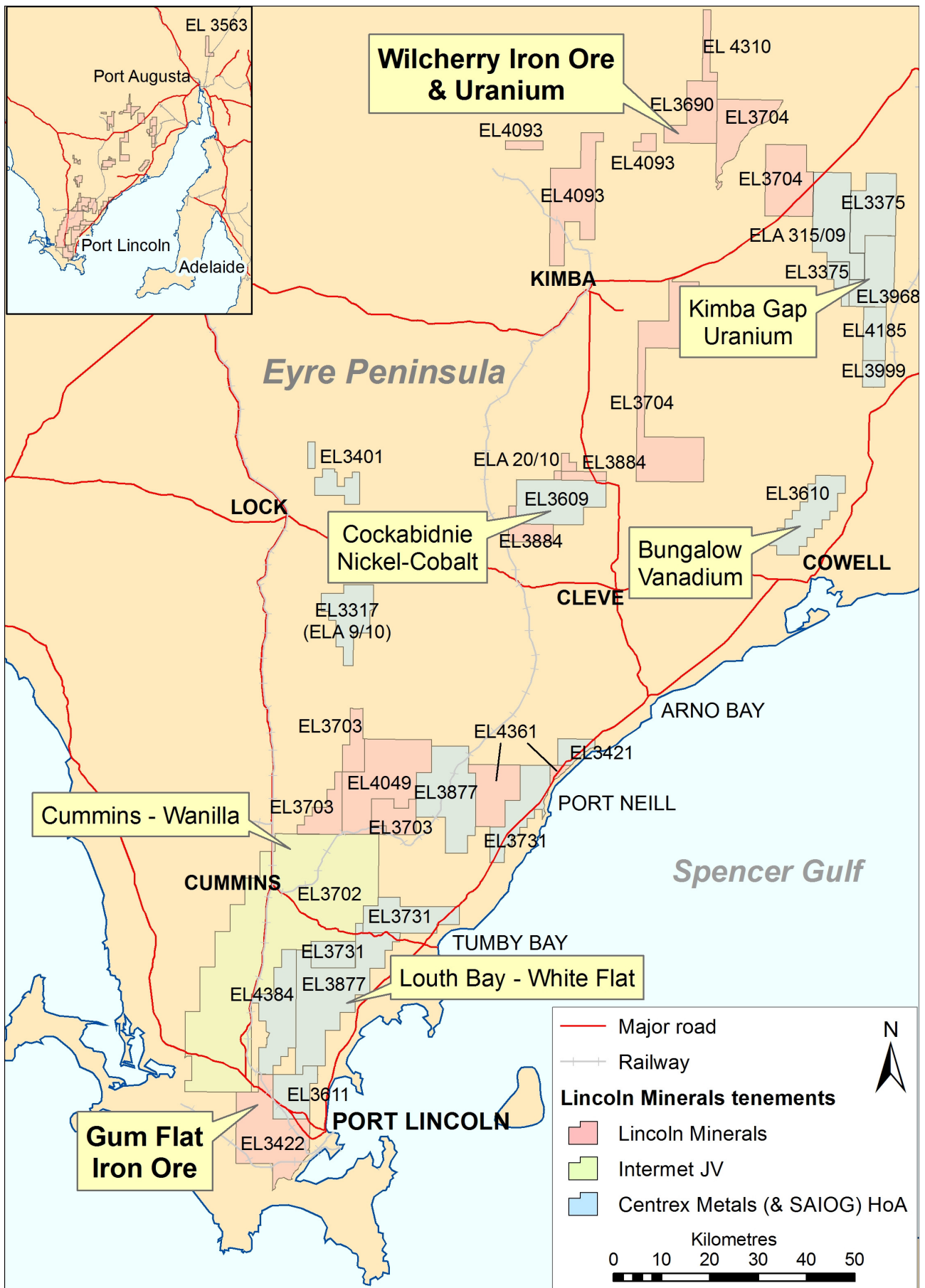


Figure 1: Location of Lincoln Minerals' tenements

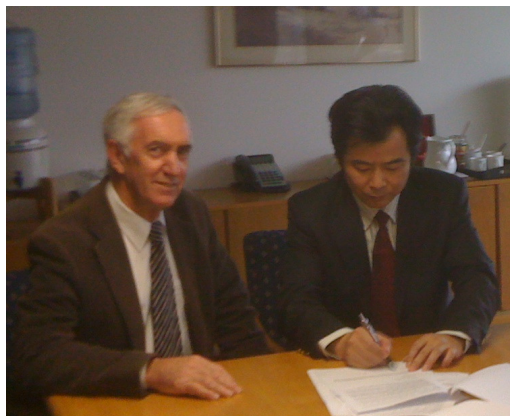
## SOUTH AUSTRALIA

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### CHINA STEEL MILL INJECTS A\$8.2M INTO LINCOLN MINERALS

China steel mill, Jiangyin Huaxi Steel Co., Ltd (JHS) through Hong Kong-based subsidiary company High Treasure International Limited (HTI) has subscribed **\$8,250,000 for 15,000,000 shares at 55 cents** each under a two part Heads of Agreement (HOA) signed in early April. In addition JHS will buy at least half of Lincoln's proposed output from its flagship Gum Flat iron ore project in South Australia.

The issue makes JHS-HTI Lincoln's second largest shareholder with approximately 13% of total Lincoln shares after the placement.



For the second part of the HOA, Lincoln will establish an **Off-take Agreement** with JHS comprising 50% of Lincoln's share of any future hematite Direct Shipping Ore (DSO) and 50% of Lincoln's share of any other hematite and/or magnetite iron ore production from its Gum Flat Iron Ore Project located within EL 3422 on southern Eyre Peninsula.

Proceeds from the direct investment by JHS, are planned to be used to:

- **Regain** 100% ownership of the Gum Flat Iron Ore Project by 30 April 2010; and
- **Fast track exploration and development** at Gum Flat to build on its existing Indicated and Inferred Resources of 58 million tonnes (Mt) (NB not including latest drill results for magnetite) and exploration targets of 125-200 Mt magnetite ore and 4-17 Mt of hematite.

Lincoln would buy back from Indian iron ore miner, Mineral Enterprises Limited and its subsidiary, Mineral Enterprises Australia Pty Ltd, at a cost of A\$5.7 million, the 40% of the Gum Flat project not already owned by Lincoln.

In addition, Lincoln will also complete a Scoping Study at Gum Flat for both hematite DSO and magnetite mining and beneficiation, a detailed hydrogeological study and, subject to the outcomes of those studies, apply for a Mining Lease and seek all necessary approvals.

Lincoln and JHS have agreed that the placement shares be voluntarily escrowed for a period of 12 months from the date of issue.

The terms and conditions applying to the Offtake Agreement proposed in the HOA, include:

- Off-take shall commence from start-up of hematite DSO and/or magnetite production for a minimum period of 2 years, with JHS having the right to extend for a further 3 years, subject to availability of mineable reserves and a minimum price no less than an agreed economically viable price and Iron Ore Reference Product Specification;
- Price to be referenced to the Hamersley Benchmark iron ore price current at the time of shipment but with flexibility should that pricing mechanism be replaced;
- Payment for shipments to be made immediately on delivery Free-on-Board (FOB) at a South Australian port, based on an independent Bill of Lading.

Final details of the Off-take Agreement will be negotiated and agreed directly between Lincoln and JHS, and these arrangements will not be binding until such details are agreed.

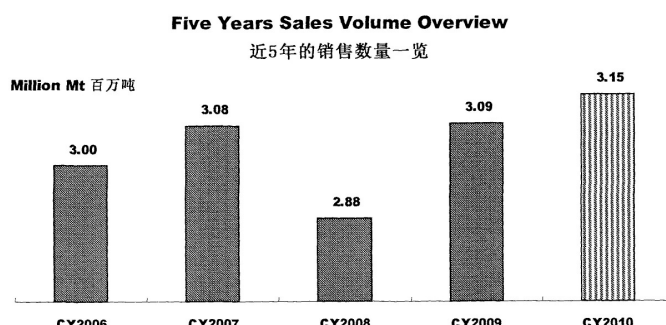
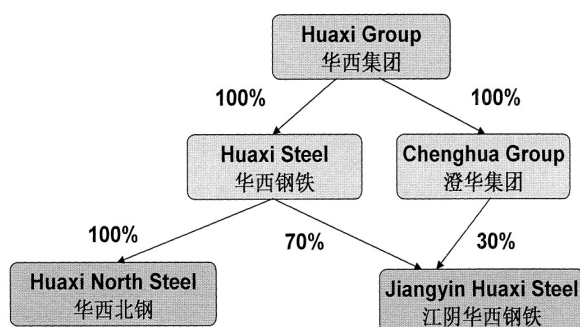
### Background on Jiangyin Huaxi Iron & Steel Co., Ltd

JHS is a subsidiary of the Huaxi Group and employs 3,400 people.

The Huaxi Group is one of the most prestigious and largest township enterprises in China and has 57 subsidiary companies.

JHS was established in September 2002, commencing steel mill operations in February 2004, and iron ore imports from 2005. Its main plant at Jiangsu, just west of Shanghai, comprises an Oxygen Plant, Sintering Plant, Ironworks and Steel Plant.

It has emerged since as a Sino-foreign joint venture with an annual output of 1.85 million tons of sinter, 500,000 tons of pellets, 1.25 million tons of molten iron, and 1.25 million tons of continuous cast billets. In calendar year 2009, Huaxi Steel produced 3.09 Mt steel.



## Background to acquisition of Indian interests in Gum Flat

Lincoln and Mineral Enterprises announced on March 12 this year that the two companies had signed a Contract for Sale of the Joint Venture Interest under which, subject to finance, Lincoln would re-acquire the 40% interest in the Gum Flat Iron Ore Project.

Lincoln originally entered into a joint venture agreement with Mineral Enterprises Limited (MEL) and its subsidiary, Mineral Enterprises Australia Pty Ltd (MEA) in December 2007. MEL advised Lincoln this year that as MEL is developing a number of projects in India, including a hematite beneficiation plant and a deep sea port, it wished to sell its interest in Gum Flat to help fund its Indian initiatives.

MEA earned its 40% participating interest in EL 3422 by spending in excess of A\$3 million funding air core, diamond core and reverse circulation drilling programs that led to the definition of, prior to the latest round of drilling, a 55.2 Mt magnetite iron ore Inferred Resource and a small hematite potentially Direct Shipping Ore (DSO) Inferred Resource.

## EXPLORATION PROGRESS DURING THE QUARTER

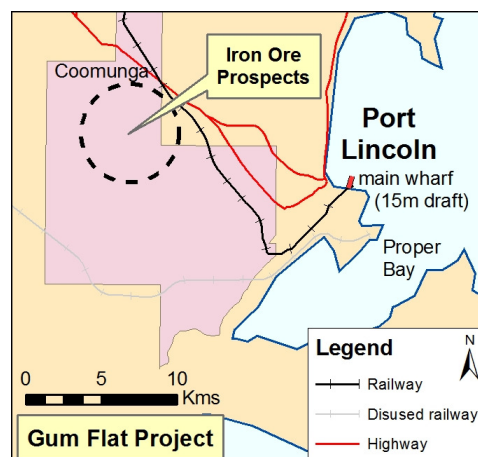
### Gum Flat Iron Ore – EL 3422

The Gum Flat Iron Ore Project is located on southern Eyre Peninsula within 20km of Port Lincoln. It is Lincoln's flagship iron ore project

The high priority exploration targets (\*\*) for magnetite and hematite are:

- Magnetite 125-200 Mt at 20-30% Fe
- Hematite 3-17 Mt at 45-60% Fe (incl. 1-3 Mt DSO at 55-60% Fe)

In addition to these exploration targets there is about 25km in strike length of lower amplitude magnetic anomalies that represent lower order exploration targets. There are no





drillholes into these targets so the Company has refrained from estimating target tonnages.

The EL is also prospective for 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. The approval given to Centrex Metals Limited to ship iron ore from Port Lincoln may open the door for Lincoln Minerals to also export iron ore from Port Lincoln.

## Drilling Results

The third stage of drilling was completed at Gum Flat during the quarter to define additional magnetite and hematite resources. In the January-March quarter, the following drilling was completed:

- 1,537m reverse circulation (RC) drilling targeting hematite direct shipping ore (DSO) on the central Barns Prospect; and
- 2,826m diamond core drilling targeting deeper magnetite ore on the Barns Prospect.

This drilling has defined extensions to both the magnetite and hematite mineralisation.

Recent core drilling through the Barns Prospect magnetite resource has not yet been assayed but, based on magnetic susceptibilities, high grade magnetite mineralisation has been shown to extend to at least 325m below ground level. This is 75m deeper than previously identified. There are also additional zones of magnetite iron formation (BIF) along strike from the central zone that were not previously drilled. This includes a significant 95m intersection of good banded magnetite representing a synclinal fold hinge and extends the strike length of the known magnetite mineralisation by an additional 500m.

Therefore, the Company is confident that it's existing magnetite Inferred Resource (55.2 Mt at 20.6% DTR concentrate or 23.5% Fe) will be enhanced once all assay results have been received and processed.

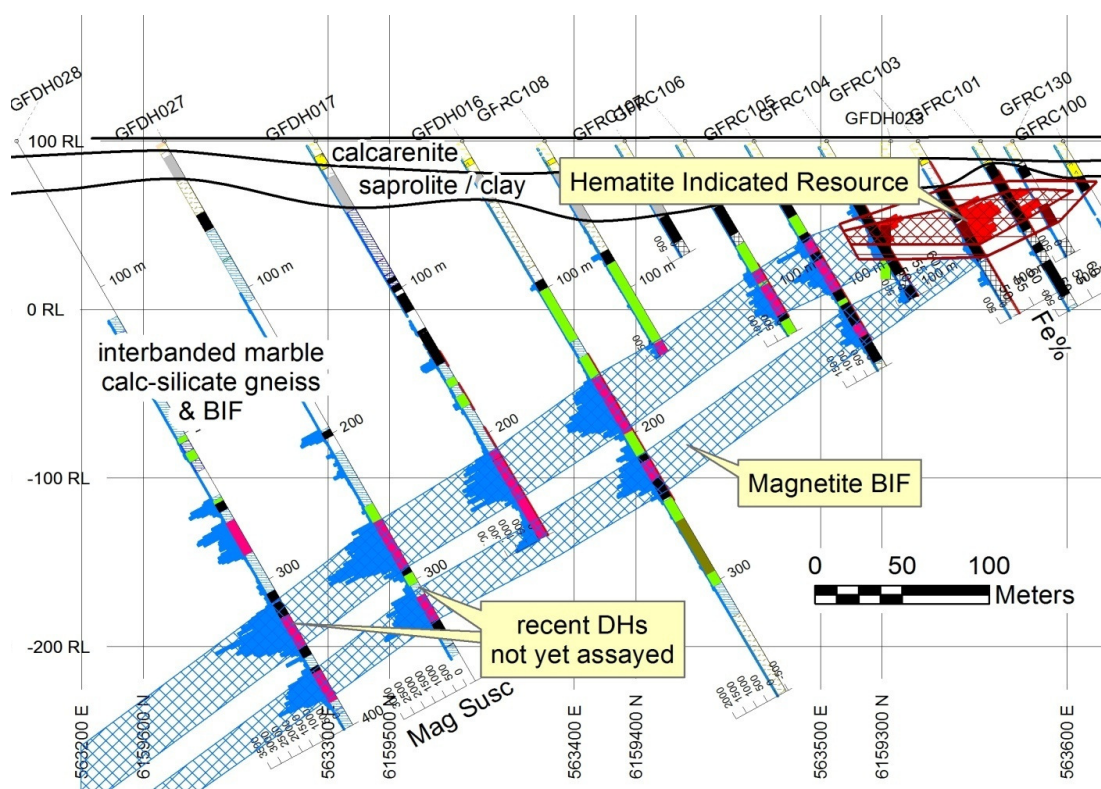


Figure 3: Central Barns Prospect (blue bars = magnetic susceptibility, red bars = Fe > 50%)

## Indicated hematite resource for Gum Flat

RC drilling at Gum Flat during the period November 2009 to February 2010 has upgraded the inferred hematite resource for the central Barns Prospect to indicated status and defined extensions to the hematite mineralisation previously identified.

### Key points:

- Barns Hematite Indicated Resource:
  - 0.9 Mt at 54.8% Fe (50% Fe cutoff) or 58.8% CaFe – potential DSO
  - 2.4 Mt at 47.7% Fe (40% Fe cutoff) or 51.6% CaFe
- Barns Hematite Exploration Target
  - 2.4 Mt to 13.8 Mt at 45-60% Fe
- Low waste:resource strip ratio predicted for hematite mine
- Scoping study and hydrogeological survey commenced

Drilling was focussed along the southeastern margin of the central Barns exploration target and outlined a shallowly west-dipping medium grade hematite-goethite ( $\pm$ limonite $\pm$ magnetite) deposit up to 35m thick and 495m in strike length (Figures 4 and 5).

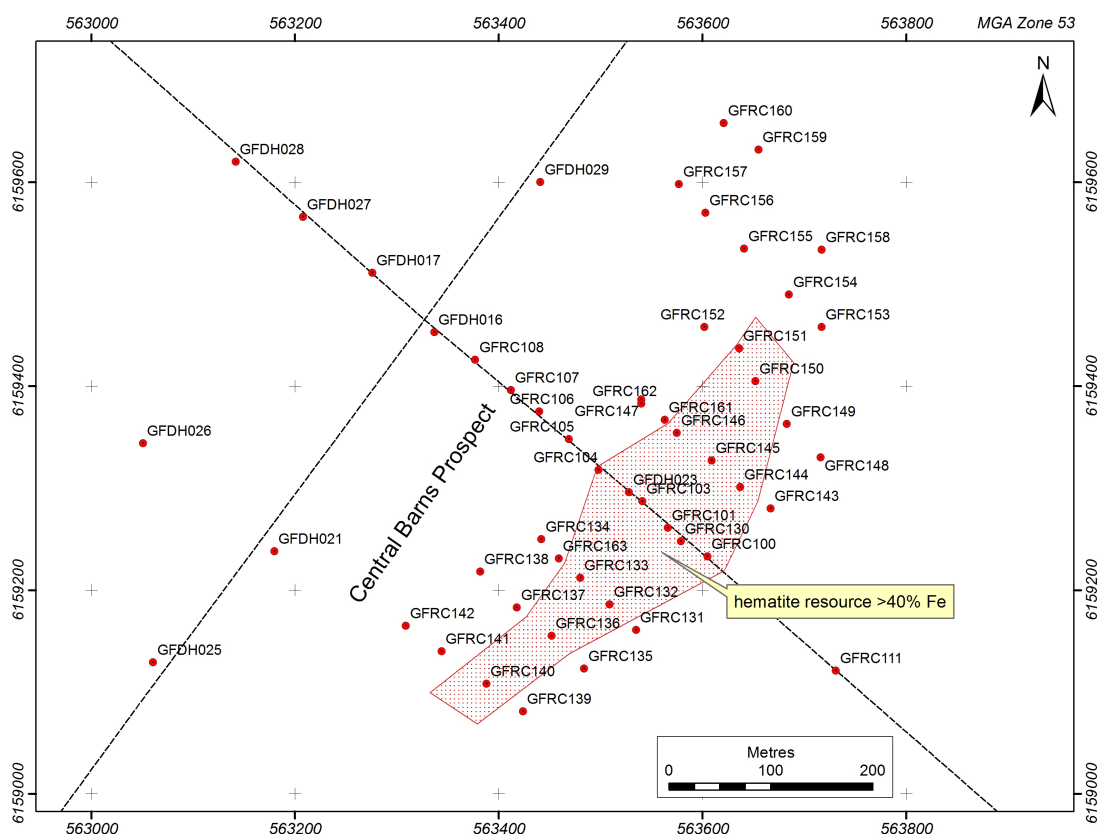


Figure 4: Location of drill holes, Central Barns Prospect, EL 3422

(All holes angled 60° to ca. 125° except GFDH023 which is vertical)

Hematite mineralisation extends down to 65m to 70m below ground level whence magnetite becomes the dominant iron ore mineral. The lower section of hematite mineralisation is variably magnetic and could be amenable to upgrading by magnetic separation.

Depth to the top of mineralisation varies from 20m to 25m below ground level (Figure 5) with a strip ratio Waste:Resource < 1.8:1. Most of this is relatively soft saprolitic clay and sandy limestone (calcarene).

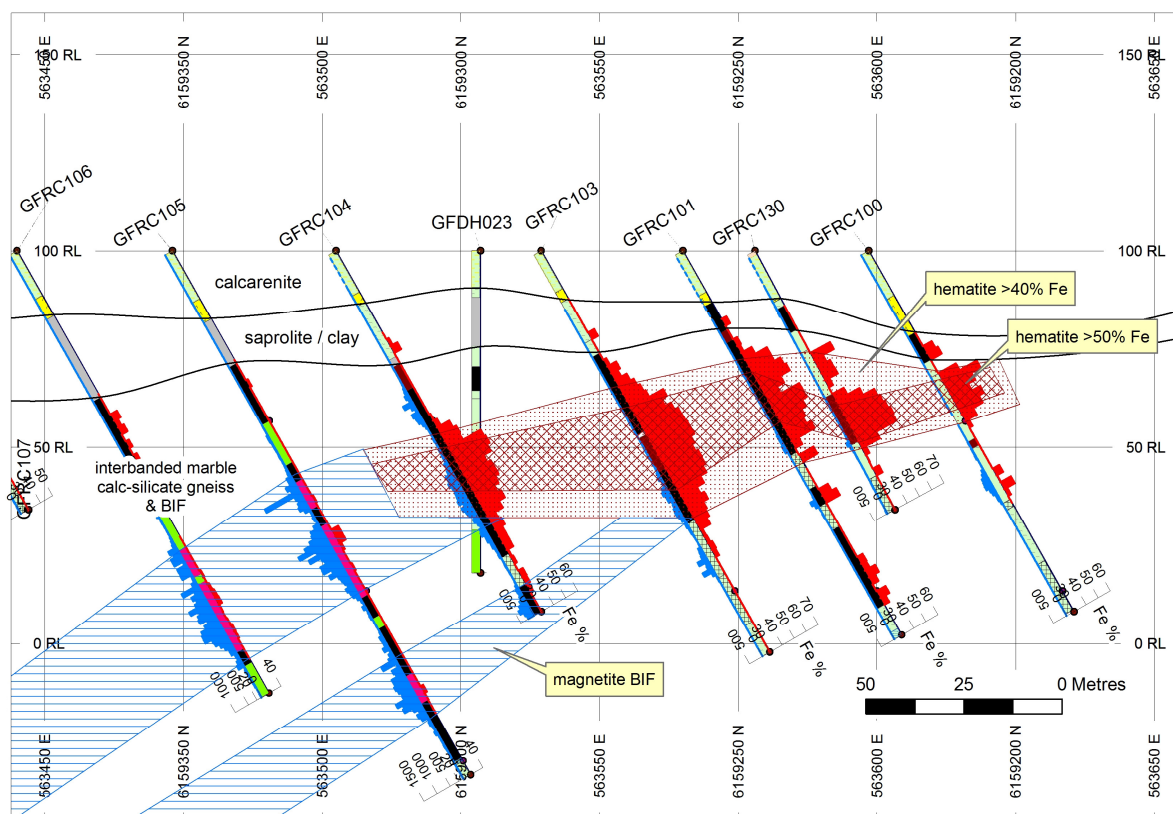


Figure 5: NW-SE oriented section 6159275N, Central Barns Prospect  
(red bars = Fe % blue bars = magnetic susceptibility)

As announced on 16 March 2010, RC drilling defined a 0.9 Mt Indicated Resource of potential DSO hematite for the central hematite Barns Prospect.

Table 1: Central Barns Prospect hematite Indicated Resource

INDICATED RESOURCE tonnes	CUTOFF Fe %	Fe %	Al <sub>2</sub> O <sub>3</sub> %	CaO %	MgO %	Mn %	P %	SiO <sub>2</sub> %	LOI %	CaFe %
863,325	50%	54.78	1.35	0.88	0.29	0.92	0.47	9.87	6.78	58.77
2,426,700	40%	47.67	1.96	1.06	0.45	1.18	0.42	18.09	7.50	51.57

Note that the CaO, MgO and Mn may not necessarily be considered deleterious

LOI = Loss on Ignition

CaFe = calcined Fe =  $Fe / (100 - LOI) \times 100$  = removal of volatiles at ca. 1400°C

RC drilling to date has only focussed on the central Barns hematite zone. This represents only 600m of a 3km long zone of potential hematite alteration and enrichment. Not all of this zone may be enriched but the exploration target for hematite along this zone is 2.4 Mt to 13.8 Mt at an average grade of 45-60% Fe including some DSO. Note, the potential quantity and grade of this exploration target is conceptual in nature, since there has been insufficient drilling and it is uncertain if further exploration will result in the determination of a Mineral Resource.

## Scoping Study

On the basis of ongoing good drilling results, LML has commenced a scoping study to examine the potential for mining, development and export of both the DSO and magnetite iron ore. This is planned for completion within the second quarter 2010.

The scoping study includes a detailed hydrogeological survey and construction of groundwater monitoring bores to ensure that any proposed mining will not affect groundwater in the region. This

will be essential for approval to mine since the iron ore deposit is located adjacent to the Uley East groundwater basin within a Prescribed Wells Area.

Based on a detailed metallurgical study of magnetite iron ore during the previous quarter, a schematic process flow sheet has been established for beneficiation of magnetite iron ore from the central Barns Prospect. Starting with 5 Mt run-of-mine ore at 26% Fe, the potential final product (at  $P_{80} = 41$  micron) is 1.41 Mt of magnetic concentrate at 66.9% Fe.

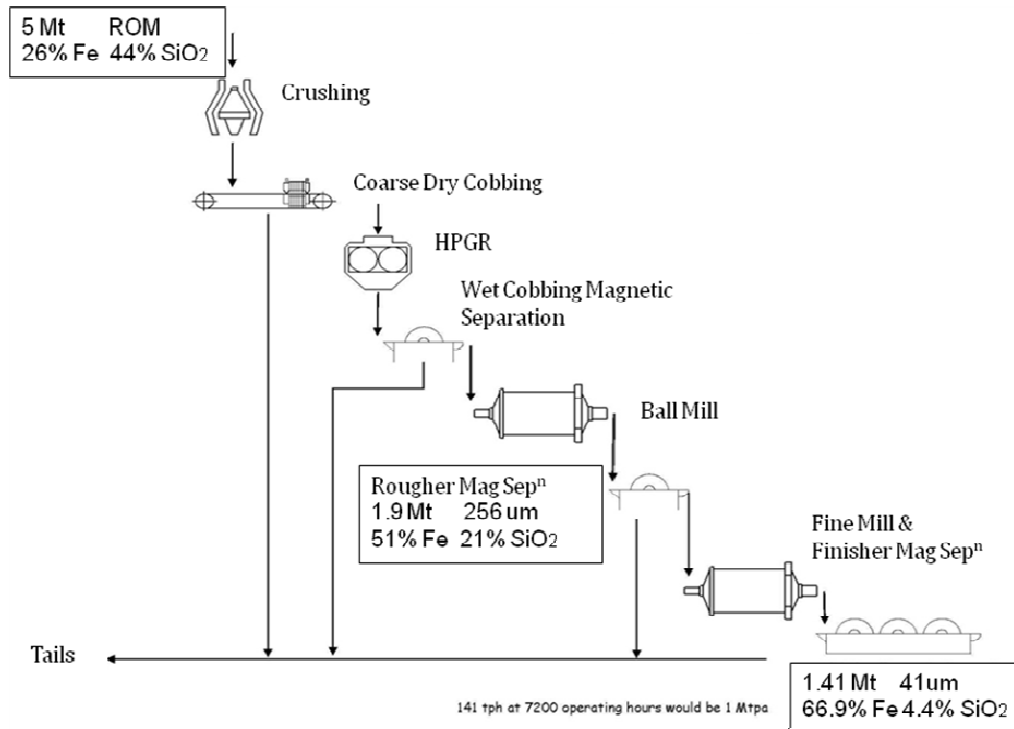


Figure 6: Central Barns Prospect – schematic process flow sheet

If the three metallurgical test samples are weighted as equal parts in a whole-of-plant feed, then an approximate final grind  $P_{80}$  of 40 micron would be required. An indicative BF concentrate grade would be:

% Wt	%Fe	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>	%CaO	%MgO	%P	%S	%Mn
28.2	66.90	4.38	0.49	0.55	0.58	0.01	0.02	0.44

Note that the CaO, MgO and Mn may not necessarily be considered deleterious.



Drillcore of potential DSO hematite, Central Barns Prospect (tray is 1m long)

## Wilcherry – EL 3690

(LML has exclusive rights to all minerals)

The Wilcherry Project area is along strike from the Weednanna magnetite (gold), Hercules iron ore and Menninnie Dam zinc-lead-silver deposits to the northwest and has potential for iron ore,



uranium, gold, manganese and/or base metal mineralisation possibly with associated hydrothermal iron oxide and/or sericite alteration.

As previously announced, the *in situ* Inferred Mineral Resource for that part of the Hercules target within EL 3690 (Hercules South) is 21.7 Mt @ 33.3% Fe. Based on a 1.6km strike length of high intensity aeromagnetic anomalies, Lincoln considers the combined exploration target (\*\*) for the Hercules South and Jungle Dam prospects is 50-100 Mt @ 30-35% Fe with potential for a small amount of direct shipping iron ore (DSO).

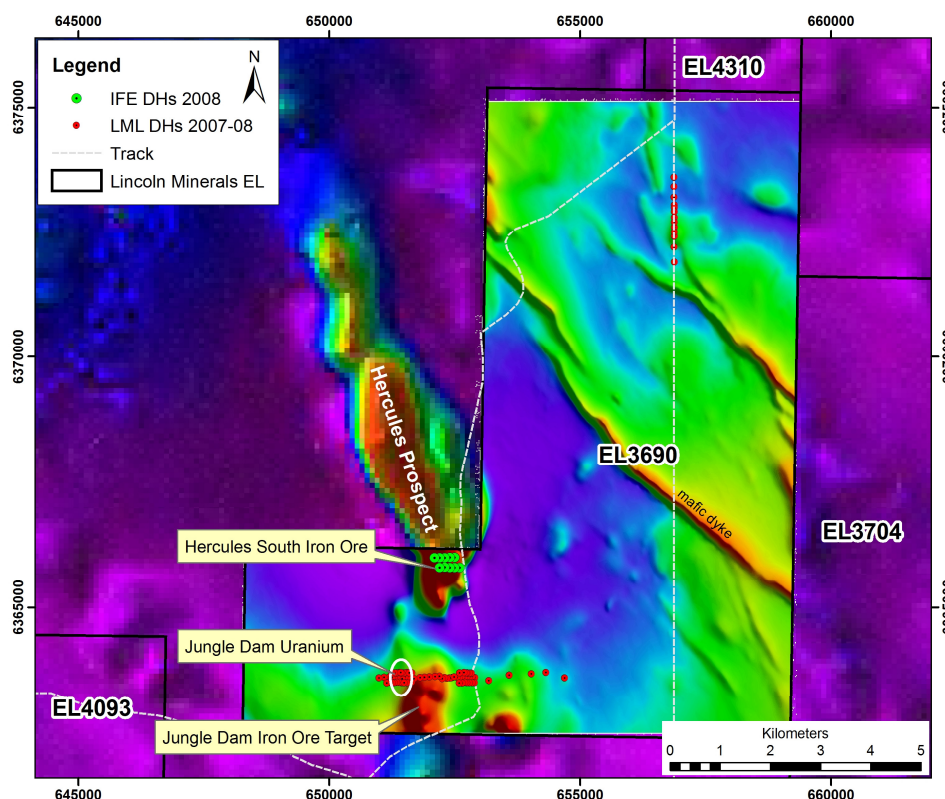


Figure 7: Location of Hercules South and Jungle Dam prospects in relation to total aeromagnetic intensity anomalies, EL 3690

In addition to iron ore at Wilcherry, Lincoln has previously identified within EL 3690, a zone of uranium mineralisation approximately 200m wide and at least 200m long open both to the north and south along strike. Drilling results from 2007 and 2008 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.

Lincoln plans to undertake aircore (or slimhole RC) and diamond core drilling at Wilcherry within the next few months. The drilling will focus on extending the iron ore resources both along strike and at depth and evaluating the strike and depth extent of the uranium mineralisation.

## Other Projects

Due to the focus on drilling at Gum Flat during the quarter, no significant exploration was undertaken on Lincoln's other South Australian tenements.

However, following confirmation of Lincoln's rights to other minerals and metals on ELs shared with Centrex Metals Limited (CXM), Lincoln has reviewed CXM drilling data from Bungalow on central Eyre Peninsula to outline an occurrence of vanadium associated with magnetite iron ore. CXM has the rights to iron at Bungalow but there is a sub-vertical zone of ferrovanadium mineralisation that yields a magnetic concentrate (7% to 11.4% DTR) averaging 0.4% to 0.6% V<sub>2</sub>O<sub>5</sub> with 59% to 65% Fe and 0.7% to 1.5% TiO<sub>2</sub>.

## INDONESIA

### Lincoln Asia-Pacific Limited

During the quarter, LML continued to review and undertake due diligence on a number of projects in Indonesia offered to LML subsidiary Lincoln Asia-Pacific (LAP).

Some of the projects being considered include:

- Manganese in western Timor;
- Iron ore and iron sands in west Kalimantan and Flores; and
- Iron ore with copper-gold in Sulawesi.

LML-LAP is focussing on areas close to established infrastructure including existing port facilities and has been undertaking due diligence research on these projects including field reconnaissance.

### Desa Mirah Iron Ore Mine

*Lincoln (45%) Samusa (55%)*

Lincoln Minerals has a Heads of Agreement with Samusa Corp of Jakarta, to jointly explore and exploit Samusa's Desa Mirah iron ore mine and surrounding exploration concession in the south-central area of Kalimantan (Borneo).

Lincoln Minerals was notified on 16 April 2010 that the palm oil plantation owner on whose land the mine is located has refused access to that part of the exploration and mining concessions that it owns. This reduces the area available for exploration and development to approximately 1,600 Ha and excludes the known resources.

On this basis, Lincoln is reconsidering its involvement in the project.



*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.*

*\*\* It is emphasized that exploration target tonnage estimates given in this report are entirely conceptual in nature. There has been insufficient drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

## CORPORATE

At 31 March 2010, the Company had approximately \$1.8m cash. In April 2010 the Company made share placements to High Treasure International Limited (subsidiary of Jiangyin Huaxi Steel Co., Ltd) raising \$8.25m of which \$5.7m is committed to the Gum Flat buy back.

As previously advised, Lincoln Minerals has been involved in ongoing negotiations with Centrex Metals Limited (CXM) regarding CXM's proposed joint ventures and assignment of interest in the iron ore rights on various Eyre Peninsula ELs to Chinese companies, Wuhan Iron and Steel Group (WISCO) and the Baogang Group. LML has the rights for all metals and minerals other than iron ore on the majority of CXM ELs on Eyre Peninsula.

During the quarter, LML and CXM negotiated a Coordination Agreement to re-affirm LML's rights to all non-ferrous metals and minerals on CXM ELs and to set out a revised framework for exploration and co-development of coincident resources. This agreement was signed on 19 April 2010.

In order to recognise the new Coordination Agreement, the existing Deeds of Consent and Assumption were revised for signing by CXM's Chinese partners.

### Board and Management

<b>Richard V. Ryan AO</b>	Chairman (Non-Executive)
<b>Dr A John Parker</b>	Managing Director
<b>Peter E. Cox</b>	Director and Company Secretary
<b>Robert A. Althoff</b>	Director (Non-Executive)

### Securities on Issue at 21 April 2010

<b>Shares</b>	115,730,486
<b>Options outstanding</b>	
Exercisable at 30 cents, expiring 30 June 2010	35,742,654
Exercisable at 20 cents, expiring 31 December 2011	4,350,000
Exercisable at 25 cents, expiring 31 December 2011	300,000
Exercisable at 30 cents, expiring 31 December 2011	110,000
<b>Total Options</b>	<b>40,731,854</b>

### Tenements at 31 March 2010

<b>Tenements</b>	<b>Exclusive Rights</b>	<b>Area</b> (sq km)
10	All minerals	1,809
15	All minerals except iron ore	1,947
1	All minerals except uranium	1,000
<b>TOTAL</b>		<b>4,756</b>