

Quarterly Activities Report – September 2010

SUMMARY

Solid Future Growth Path

- Scoping studies completed on advanced Gum Flat iron ore project in SA
- Production target for Stage 1 hematite DSO mid-2012
- Preparing application for Mining Leases over Gum Flat resources
- New drilling programs at Gum Flat and Eurilla to target additional hematite iron resources
- Acquiring land for development of Gum Flat

Gum Flat Iron Ore Project (SA's Eyre Peninsula; LML 100%)

- 103 million tonne iron ore Inferred and Indicated Mineral Resource
- Potential to commence mining DSO hematite in 2012 subject to upgrade of mineable reserves and regulatory approvals:
 - Start-up mining operation targeting 0.5 Mtpa hematite DSO
 - Operating cost less than A\$20 per tonne FOB ex Port Lincoln (*)
 - Estimated margin A\$40-\$55 per tonne FOB before tax
 - Mine capital cost A\$50-\$55 million including pre-strip of overburden, roads, storage shed at port & other facilities
 - Positive cashflow after 1st year of operation
- Potential to mine and beneficiate magnetite in 2015 after hematite DSO:
 - Target production 2 Mtpa magnetite concentrate
 - Blast furnace grade concentrates average 67% Fe, with low silica and very low alumina and phosphorous
 - Operating cost of beneficiation and transport less than A\$65 per tonne FOB ex Port Lincoln (mining cost yet to be determined)
 - Capital cost A\$235-\$290 million depending on transport option (road, rail, slurry pipeline)
 - Significant employment opportunities for the Port Lincoln region
- Revised exploration targets (**) including magnetic targets near Port Lincoln:
 - Barns-Rifle Range area – 150-250 Mt magnetite ore @ 22-28% Fe and 3-17 Mt hematite-goethite ore at 45-60% Fe
 - Port Lincoln-Tulka area – 200-600 Mt magnetite and hematite BIF @ 20-35% Fe
- Low grade hematite (45-55% Fe) can be upgraded to >55% Fe by gravity and magnetic separation
- Contract to buy freehold property over Barns Prospect
- Groundwater monitoring wells established and pump tested
- New drilling program scheduled for October-November 2010 to target further hematite DSO at Barns and test the Port Lincoln-Tulka area
- Undertaking baseline fauna and flora studies for mine lease application

Eurilla Iron Ore (SA's Eyre Peninsula; LML 100%)

- 22 million tonne iron ore Inferred Mineral Resource
- Drilling program scheduled for November 2010 to test iron and uranium targets

Timor Manganese (Indonesia)

- Field reconnaissance and surface sampling undertaken on three high grade manganese projects in western Timor and one project in Flores (iron and copper)

Corporate

- The Company welcomes Eng Hoe Lim to the Board of Lincoln Minerals
- Exploration Licenses in South Australia total 4,610 km²
- Founding member of Eyre Peninsula Mining Alliance



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

FOB = Free on Board or Freight on Board DSO = Direct Shipping Ore Mtpa = million tonnes per annum

** Potential to ship hematite DSO iron ore from Port Lincoln in 2012 is subject to proposed 3rd party port development and subject to getting all requisite mining and development approvals following community engagement*

*** 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' Eyre Peninsula (SA) tenements

SOUTH AUSTRALIA

EXPLORATION & DEVELOPMENT PROGRESS DURING THE QUARTER

Gum Flat Iron Ore – EL 3422 (ELA 221/10)

(LML has exclusive rights to all minerals)

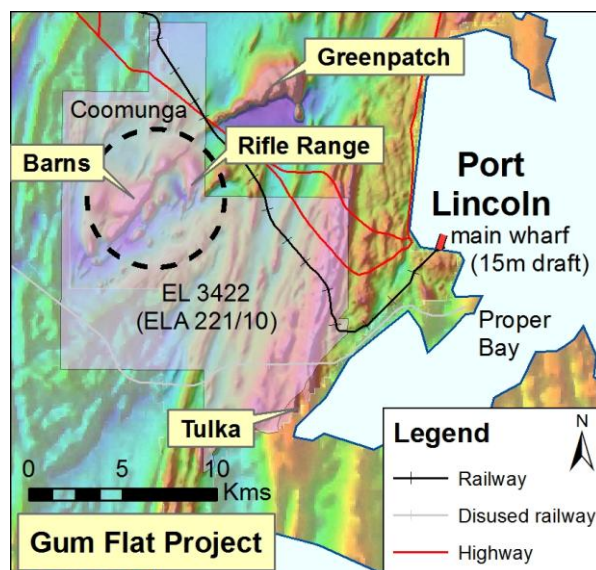
The Gum Flat Iron Ore Project is located on SA's southern Eyre Peninsula within 20km of Port Lincoln. It is Lincoln's flagship iron ore project

The high priority exploration targets (**) for magnetite and hematite in the Barns-Rifle Range area are:

- Magnetite 150-250 Mt at 22-28% Fe (20-26% DTR)
- 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 at least 25km in strike length of magnetic anomalies that have not yet been drill tested. Some of these are lower amplitude magnetic anomalies so the Company has refrained from estimating target tonnages.

However, magnetic anomalies along the eastern boundary of the EL (Figure 2) are high amplitude similar to the Barns Prospect and potentially represent a significant exploration target. The strike length of these is approximately 17km but part of this (approx. 5km) is close to areas of low-density residential or potential residential development immediately west of Port Lincoln. Therefore only 12km is considered here as an exploration target (**):



Average true thickness	25-50m
Vertical extent of cover below ground level	20-40m
Assumed dip of BIF	50 ⁰ -80 ⁰ West
Potential depth extent	250m
Strike length (based on aeromagnetic interpretation)	12,000m
BIF rock density (gm/cc)	3.1-3.4
Exploration Target (Port Lincoln-Tulka area)	200-600 Mt
Potential Grade	20-35% Fe

It is planned to test sections of this exploration target during the next drilling program.

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.

Because EL 3422 has reached its maximum term of 5 years as per the *Mining Act (1971)*, an application, ELA 221/10, has been made for a replacement EL.

*** 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.*

Gum Flat Iron Ore Mineral Resources

During the previous quarter, the Company was able to almost double its iron ore Inferred and Indicated Mineral Resources at Gum Flat to 103 million tonnes (Mt).

The combined hematite and magnetite Mineral Resources for the Barns, Rifle Range and Sheoak West deposits are:

Prospect	Status	Million Tonnes (Mt)	Head Grade (% Fe)
Barns magnetite (upper >15% DTR)	Inferred	33.3	24.8
Barns magnetite (lower > 15% DTR)	Inferred	33.9	23.4
Barns magnetite (other > 15% DTR)	Inferred	21.4	24.7
Barns magnetite (upper 10-15% DTR)	Inferred	7.2	24.8
Rifle Range magnetite (>15% DTR)	Inferred	3.5	27.1
Barns hematite (>50% Fe)	Indicated	0.9	54.2
Barns hematite (45-50% Fe)	Indicated	0.9	46.9
Sheoak West hematite (>35% Fe)	Inferred	1.1	41.5
Rifle Range hematite other (>35% Fe)	Inferred	0.6	41.8
Total		102.8	

Table 2: Inferred and Indicated Iron Ore Mineral Resources for Gum Flat

Scoping Study

Early during the July-September quarter, a scoping study was completed on the costs of potential mining, development and export of both the hematite DSO and magnetite iron ore at Gum Flat.

Options considered include:

Hematite

- Mine & export 0.5 Mtpa DSO fines (55% Fe)
- Mine 1 Mtpa low grade hematite and process to produce ~0.4 Mtpa upgraded fines (>55% Fe)

Magnetite

- Mine 5 Mtpa or 10 Mtpa ore and process onsite to produce, respectively, 0.97 Mtpa or 1.95 Mtpa high grade concentrate (67% Fe)
- Mine 5 Mtpa or 10 Mtpa ore and part process to produce a coarse low grade concentrate (~35-40% Fe) for sale to a third party

Transport

- Road to Port Lincoln
- Rail to Port Lincoln
- Slurry pipeline to Port Lincoln
- Road to planned new Sheep Hill bulk commodities port 70km northeast of Port Lincoln
- Road to Lucky Bay (near Cowell, Figure 1)

The Scoping Study was jointly undertaken by WorleyParsons Pty Ltd (calculation of operating and capital expenditures), AMC Consultants Pty Ltd (resource modelling and mine optimisation), Aldam Geoscience Pty Ltd (groundwater), Calibre Projects Pty Ltd (hematite metallurgy) and Ferrum Consultants Pty Ltd (marketing advice) with input from Lincoln Minerals' own staff as and where appropriate.



Gum Flat Staged Development

Because of the physical attributes of the iron orebodies at Gum Flat where hematite overlies magnetite iron formation, Lincoln Minerals has evolved a staged development plan:

- Stage 1 – mine and export DSO hematite fines from Port Lincoln commencing about 2012
- Stage 1b – mine and beneficiate low grade hematite ore and export a 55⁺% Fe hematite fines product
- Stage 2 – mine and beneficiate the underlying magnetite iron formation and export either a high grade 67% Fe magnetite concentrate or sell a 35-40% Fe coarse magnetite partial-concentrate to a local 3rd party.

Stage 1 – Hematite DSO

This stage of development would comprise mining the Barns central hematite deposit and exporting about 0.5 Mtpa DSO fines (55% Fe) from Port Lincoln. Ore would be transported to Port Lincoln, stored on the wharf in a negatively pressurised shed to retain any potential dust then shipped out from the main wharf (about 1 ship every 5-6 weeks).

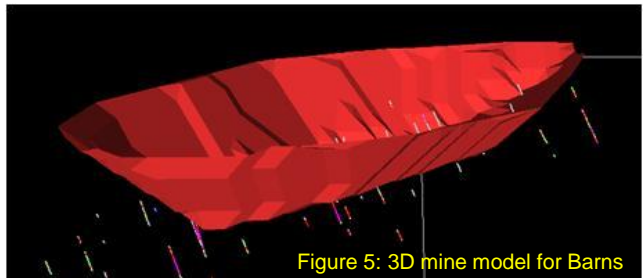


Figure 5: 3D mine model for Barns

Cost estimates to the level of detail ascribed to a Scoping Study ($\pm 50\%$) indicate that DSO ore from Gum Flat could be mined and loaded FOB onto a Panamax ship for an operating cost (Opex) about A\$16 per tonne from Port Lincoln (or about A\$26 per tonne from the proposed new Sheep Hill bulk commodities export port). This Opex includes estimated mining, crushing, transport, storage and loading costs but assumes there is a 3rd party operating a ship loader at either port.

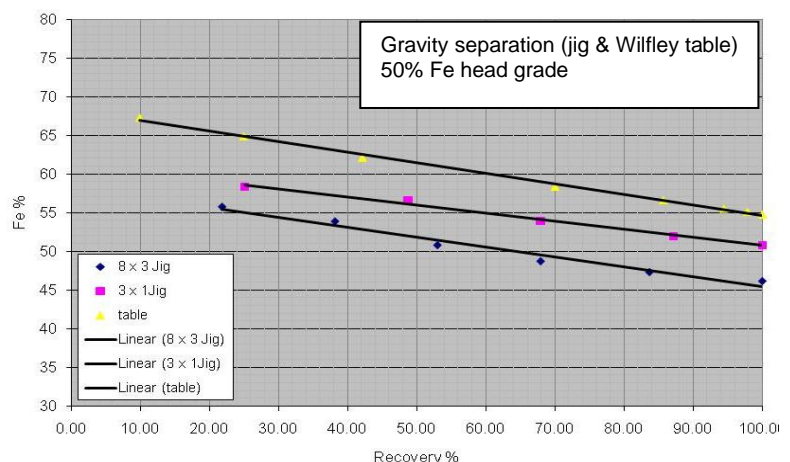
Capital expenditure (Capex) to remove the mine overburden, upgrade roads and construct a 70,000 tonne shed along with conveyors etc at either port would be about A\$50-\$55 million including a 20% contingency factor. Lincoln Minerals believes there is scope to reduce that cost.

The estimated margin on the Opex is about A\$40-\$55 per tonne FOB ex Port Lincoln before tax and the project would generate a positive cashflow after the 1st year of operation.

Stage 1b – Hematite Beneficiation

In addition to potential DSO at Gum Flat, there is also some lower grade hematite (45-55% Fe) and a low grade hematite cap above the magnetite ore that could potentially be upgraded to produce a >55% Fe fines product.

Metallurgical testwork has shown that dry magnetic separation and gravity separation using a jig are both effective in upgrading the hematite. A combination of dry magnetic separation and gravity separation can effectively upgrade 45-50% Fe weakly magnetic ore to >55% Fe (35% recovery).



The process is summarised in the following figure.

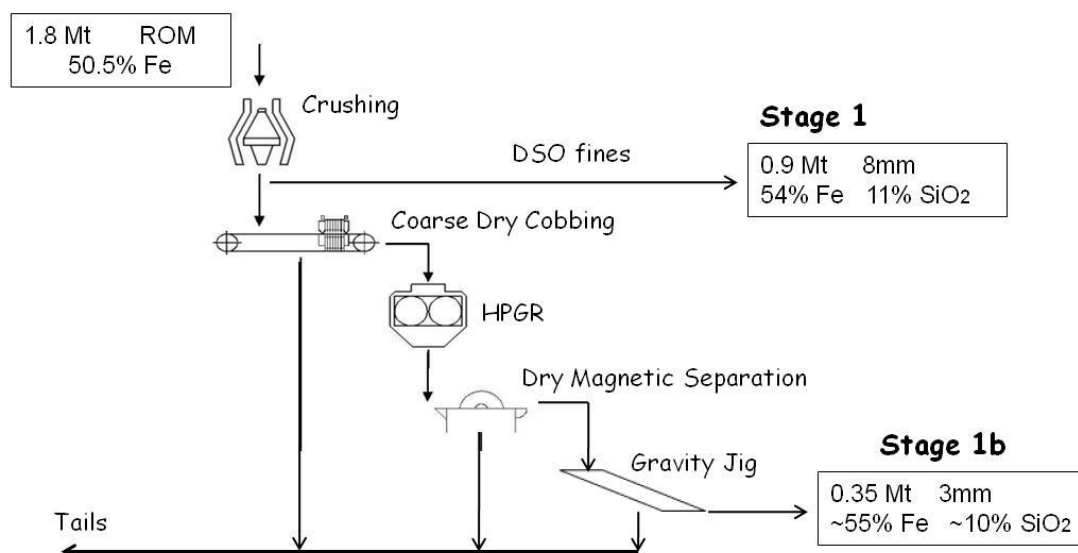


Figure 6: Simplified process flow sheet to upgrade hematite iron ore

The Capex for such a procedure has not yet been established but the Opex is estimated at about A\$27 per tonne concentrate ex Port Lincoln.

Stage 2 – Magnetite Beneficiation

This stage of development would follow mining of the Barns central hematite deposit and extend the mine at depth. It would comprise mining the magnetite iron formation (24% Fe), crushing, grinding and magnetically separating the magnetite to produce a high grade magnetite concentrate which would be exported from Port Lincoln or maybe Sheep Hill. Ore would be transported to the port, stored in the same shed used for the initial hematite DSO then shipped out.

Various options and their corresponding Opex and Capex costs that were considered for the Stage 2 magnetite process are outlined in the table below. Only the 10 Mtpa (ore mined) case is presented here.

	Low Grade Concentrate	High Grade Magnetite Concentrate (67% Fe)		
10 Mtpa ore	7 Mtpa con	2 Mtpa concentrate		
Concentrate Grade	35-40% Fe	67% Fe		
Transport	Road	Road to PL	Rail to PL	Slurry Pipeline to PL
Capex	A\$80 million	A\$235 million	A\$250 million	A\$290 million
Opex (beneficiation + transport only)	~A\$15/t _{con}	A\$60-65/t _{con}		

Table 5: Opex and Capex for various transport options based on mining 10 Mtpa (PL = Port Lincoln SH = Sheep Hill t_{con} = tonne concentrate)

Mining costs for Stage 2 magnetite iron ore have not yet been determined in sufficient detail to outline here. They are the subject of ongoing analysis by external consultants to determine the optimum method(s) of mining.

The Stage 2 beneficiation process is summarised in the following figure.

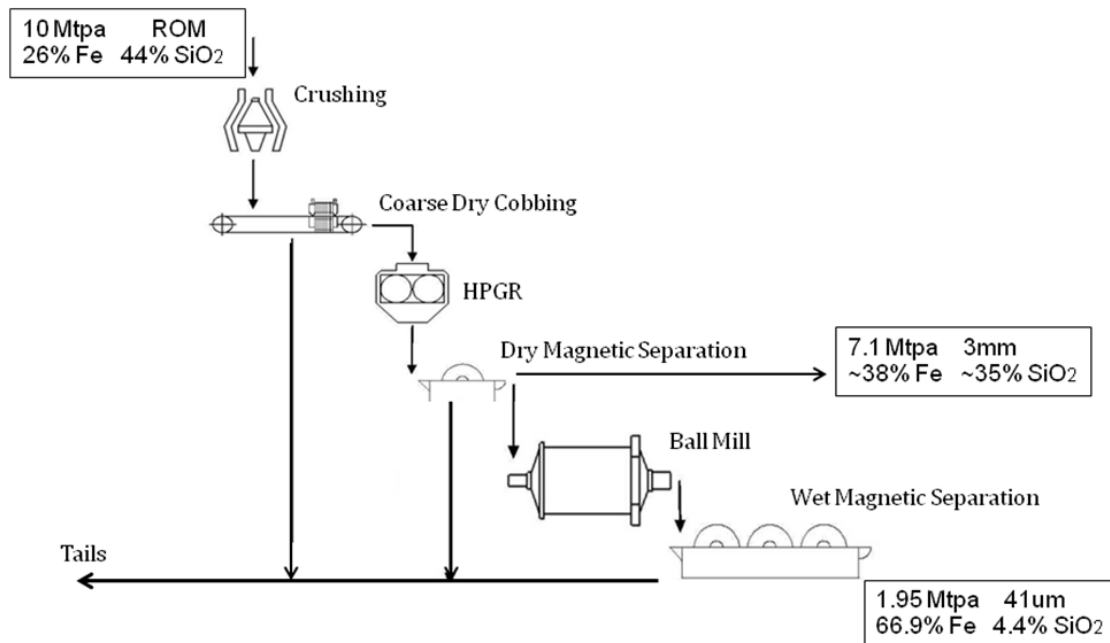


Figure 7: Simplified process flow sheet to upgrade magnetite iron ore

Hydrogeological Study

A detailed hydrogeological or groundwater survey, construction of groundwater monitoring bores, pump testing and modelling were completed during June-July 2010 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.

Investigations carried out to date have provided sound basic information regarding the aquifers on site, including lithology, potentiometric surface, water quality, transmissivity and the presence of hydraulic barriers. They indicate that the hydrogeology of the Central Barns Deposit is complex. The main calcarenite aquifer used for groundwater extraction in the Uley South Basin is dry or unsaturated in the proposed mine area and is separated from an underlying fractured bedrock aquifer system by several tens of metres of saprolite (clay). This material varies in thickness and acts as a confining layer to the basement aquifer. Groundwater flows in a general north to south direction under an hydraulic gradient of about 5 m over a distance of 1 km.

The basement aquifer water is of low salinity and neutral pH, and occurs within fractures within the (basement) rocks.

Due to the presence of saprolite clay and unsaturated conditions in the Quaternary Bridgewater Formation (calcarenite), it is concluded that the basement aquifer system at the Central Barns Deposit is not hydraulically connected to the Uley East groundwater lens. It is also likely that the saprolite, if laterally extensive, will preclude hydraulic connection between the basement aquifer and the Tertiary / Quaternary aquifers of the Uley South groundwater lens.

Forward Planning

A 3km long zone of potential hematite alteration and enrichment has been identified at the Barns Prospect. 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.

A 7,000m reverse circulation (RC) drilling program is scheduled for mid November to test this zone and exploration targets for potential DSO hematite and to establish inferred and/or indicated Mineral Resources for such.

Lincoln is also commencing baseline studies in preparation for a Mining Lease Application at Gum Flat. Studies include ongoing groundwater observations and modelling, environmental baseline studies in regard to flora and fauna, community engagement and more detailed planning and engineering work to optimise mine development. The flora and fauna surveys have been awarded to EBS Ecology.

The proposed timetable for development at Gum Flat is outlined in the table below. It is emphasised that this is subject to obtaining regulatory approvals and project finance.

	2010	2011	2012	2013	2014
Stage 1 Barns DSO	• Drill out • Baseline Studies	• Evaluate			
	• Mining Lease Application • Purchase Land	• MARP • DFS (Stage 1) • Groundwater Approvals			
		Plant Construction Upgrade Road			
			Remove Overburden		
			Mine & Export Hematite		
Stage 2 Magnetite				• Drilling & evaluation • Baseline Studies • DFS (Stage 2)	

Eurilla – EL 3690

(LML has exclusive rights to all minerals)

The Eurilla Project area is along strike from the Weednanna (Wilcherry Hill) 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.

The Inferred Mineral Resource for Eurilla South iron ore 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 Eurilla South and Jungle Dam prospects is 50-100 Mt @ 30-35% Fe with potential for a small amount of direct shipping iron ore (DSO).

In addition to iron ore at Eurilla, 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 has scheduled to recommence an aircore (and slimhole RC) drilling program at Eurilla in early November. 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.

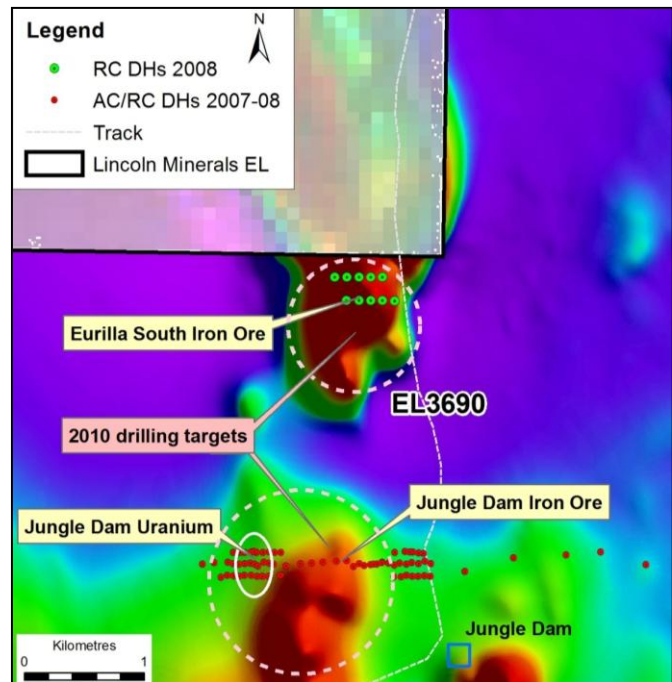


Figure 9: Location of Eurilla South and Jungle Dam prospects in relation to total aeromagnetic intensity anomalies, EL 3690

Other Projects

Lincoln Minerals has the rights for all metals and minerals other than iron ore on the majority of Centrex Metals Limited (CXM) ELs on Eyre Peninsula.

CXM and its Chinese joint venture partners, Wuhan Iron and Steel Group (WISCO) and the Baogang Group are undertaking major drilling programs at Bungalow near Cowell and on their southern tenements near Port Neill and Tumby Bay.

Lincoln Minerals is maintaining an active role in monitoring these drilling programs and examining drillcore for other minerals including copper and vanadium that might be of interest.

No significant exploration was undertaken on Lincoln's other South Australian tenements.

INDONESIA

Lincoln Asia-Pacific Limited

During the quarter, Lincoln Minerals continued to review and undertake due diligence on a number of projects in Indonesia.

Geological reconnaissance and surface geochemical sampling were undertaken on projects in western Timor and Flores.

LML is focussing on areas close to established infrastructure including existing port facilities.



CORPORATE

At 30 September 2010, the Company had approximately \$2.8 million cash. In the near future the Company will seek the support of a financial institution to partner it forward through the Gum Flat project financing stages.

Lincoln Minerals has recently joined with three other companies working on Eyre Peninsula to form the Eyre Peninsula Mining Alliance to pursue common priorities in infrastructure development and community engagement.

Its objectives are to promote the case for appropriate infrastructure developments for its own projects, the mining industry generally and for the benefit of the broader community; and to work with Eyre Peninsula communities and other regional stakeholders to create and maintain a positive profile for the mining industry there so that communities appreciate the benefits arising from mining.

Its vision primarily targets the provision of power, water, transport (road and rail) and port infrastructure on Eyre Peninsula.

Board and Management

Richard V. Ryan AO	Chairman (Non-Executive)
Dr A John Parker	Managing Director
Peter E. Cox	Director and Company Secretary
Robert A. Althoff	Director (Non-Executive)
Eng Hoe Lim	Director (Non-Executive)

Securities on Issue

Shares at 10 October 2010	116,959,938
Options outstanding	
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
Total Options	4,760,000

Tenements at 30 September 2010

Tenements	Exclusive Rights	Area (sq km)
8	All minerals	1,179
16	All minerals except iron ore	1,947
1	All minerals except uranium	1,000
2	Exploration License Applications	484
	TOTAL	4,610

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.