

Quarterly Activities Report – December 2010

SUMMARY

Ongoing Growth

- Mining Lease Application in progress on advanced Gum Flat iron ore project in SA
- Production target for Stage 1 Gum Flat hematite DSO mine mid-2012
- Drilling progressing at Gum Flat and Eurilla targeting additional hematite iron resources
- Secured highly prospective new exploration areas for iron ore on central Eyre Peninsula
- New aeromagnetic survey to be flown over high priority copper targets

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 0.5 Mtpa DSO hematite in 2012 subject to mineable reserves, port access, finance and regulatory approvals
- 350-850 Mt exploration target (**) @ 20-35% Fe including magnetic targets near Port Lincoln
- Purchased freehold property over Barns Prospect
- Drilling program in progress to test hematite DSO targets at Barns
- Two new zones of elevated hematite mineralisation (45-55% Fe) located
- Additional groundwater monitoring wells established
- Conceptual Stage 1 mine plan prepared
- Baseline fauna and flora studies undertaken for Mining Lease Application
- Export road transport and storage options reviewed
- Community consultation program in progress

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

- 22 million tonne iron ore Inferred Mineral Resource
- Drilling program undertaken to test iron and uranium targets

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

- New exploration license application adjacent to Warramboe-Central Eyre Iron Project
- Significant iron ore potential over more than 20km strike length

Cockabidnie Nickel-Cobalt-Scandium Project (SA's Eyre Peninsula; LML has rights to all metals except iron)

- Scandium anomalies up to 51 ppm Sc associated with nickel-cobalt mineralisation

Tumby Bay Copper, Uranium & Base Metals Project (SA's Eyre Peninsula; LML has rights to all metals except iron)

- New high resolution aeromagnetic and radiometric survey to be flown

Timor Manganese Project (Indonesia)

- High grade manganese identified in western Timor

Corporate

- Exploration Licenses and applications in South Australia expanded to total 5,103 km²
- Former Wanilla JV on EL 3702 now 100% owned by LML



Gum Flat drilling, Central Barns Prospect, December 2010

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 port access and subject to getting all requisite mining, infrastructure 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.*



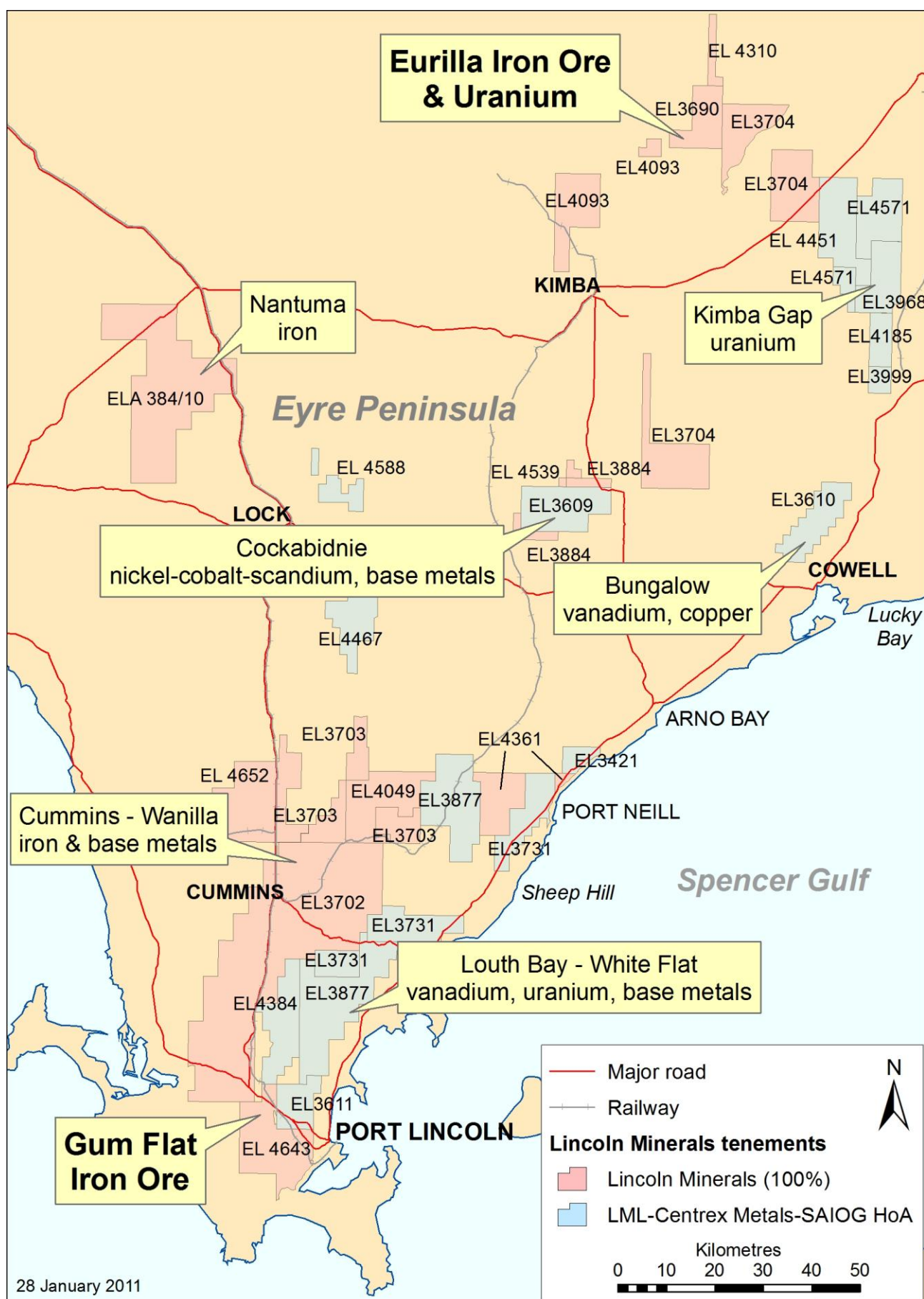


Figure 1: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements

SOUTH AUSTRALIA

EXPLORATION & DEVELOPMENT PROGRESS DURING THE QUARTER

Gum Flat Iron Ore Project – EL 4643 (formerly EL 3422)

(LML has exclusive rights to all minerals)

Lincoln's flagship Gum Flat Iron Ore Project is located on eastern Eyre Peninsula which is a major world-class iron ore province and which potentially contains more than 10 billion tonnes (Bt) of iron ore extending from the Middleback Ranges to Port Lincoln.

Gum Flat EL 4643 contains a number of priority magnetic targets including Barns, Rifle Range and the Port Lincoln-Tulka suite. All are within 20km of Port Lincoln, an existing port capable of handling Panamax ships up to 15m draft, and within 100km of a proposed new bulk minerals handling port planned for loading Cape-size ships at Sheep Hill.

The Project offers significant employment and commercial opportunities for people and businesses in Port Lincoln and southern Eyre Peninsula.

More than 100 million tonnes of iron ore has been identified in the Barns-Rifle Range area, most of it magnetite but with some hematite suitable for direct shipping. The magnetite needs to be processed into a high grade concentrate before it can be exported.

Subject to proving sufficient reserves, access to appropriate port facilities and obtaining suitable project finance and all necessary approvals, Lincoln Minerals proposes to commence exporting Direct Shipping Ore (DSO) in the latter half of 2012 via the main wharf at Port Lincoln.

The Company is currently considering a three-stage development option:

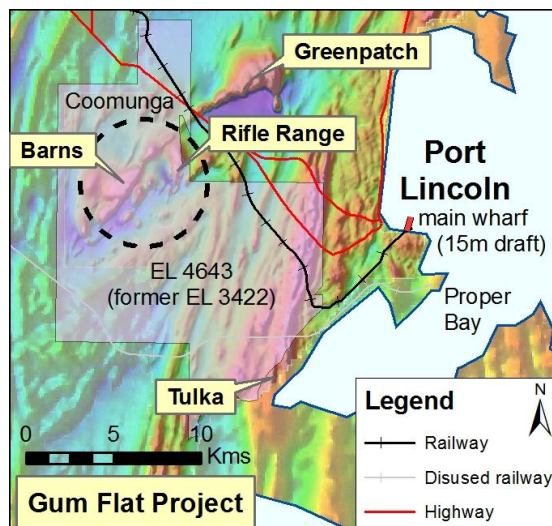
- Stage 1 – mine and export 500,000 tonnes per annum hematite DSO via Port Lincoln
- Stage 1b – mine ~1 million tonnes per annum (Mtpa) lower grade hematite and process to produce about 400,000 tonnes p.a. upgraded fines for export via Port Lincoln
- Stage 2 – mine 10 Mtpa magnetite and process onsite to produce about 2 Mtpa high grade concentrate for export via Port Lincoln or maybe Sheep Hill.

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, EL 4643 is ideally located with respect to infrastructure and proximity to a major shipping port.

Gum Flat Resources

- Total magnetite Inferred Resource 99 Mt at 24.4% Fe (20.6% DTR magnetite concentrate)
- Barns hematite DSO Indicated Resource 0.9 Mt at 54.2% Fe or 58% CaFe (calcined Fe after removal of water)
- Total Inferred and Indicated hematite 3.6 Mt at 46.2% Fe
- Total high priority Exploration Targets (**) for magnetite and hematite in the Barns-Port Lincoln-Tulka area (including the above resources) 350-850 Mt @ 20-35% Fe



Mining and Processing (Stage 1)

A draft or conceptual mine plan has been drawn up for Stage 1 mining of the Barns Propsect DSO hematite deposit. That plan is shown below and is based on the following:

- Mine 0.5 Mtpa DSO hematite from open cut pit
- Crush ore to minus 10mm hematite fines product and transport to Port Lincoln in containers or covered trucks
- Stage 1b would involve constructing a gravity concentration plant at Barns to produce a fines concentrate for export
- **Capital expenditure and long term operating costs are likely to be among the lowest in Australia – initial hematite DSO capital expenditure is \$30-50 million depending on storage options, and the operating cost will be about \$20/t**



Figure 3: Conceptual mine plan and site layout for Stage 1 mining of Barns DSO deposit

Transport

Three transport options are being considered to move ore and concentrate from Gum Flat to Port Lincoln: road, rail and, for magnetite only, a slurry pipeline.

- The road option under consideration for Stage 1 would typically involve 4 or 5 B-Double trucks/hour, 12 hours/day, 5.5 days/week, a truck wash at the mine site and Port Lincoln, an upgrade of approximately 10km of Duck Pond Road and modification of the Flinders Highway intersection. Road transport is the only viable option for Stage 1.
- The rail option would involve building either a spur line into Barns or a loading facility at Coomunga, plus a rail unloader at Port Lincoln. This is not a viable option.
- A slurry pipeline would follow Duckpond Road and the rail easement into Port Lincoln. A dewatering filtration system would be installed in the storage shed and water returned to mine site. This option is only viable for Stage 2 magnetite.
- Stage 1 production would involve one Panamax ship every 5-6 weeks.

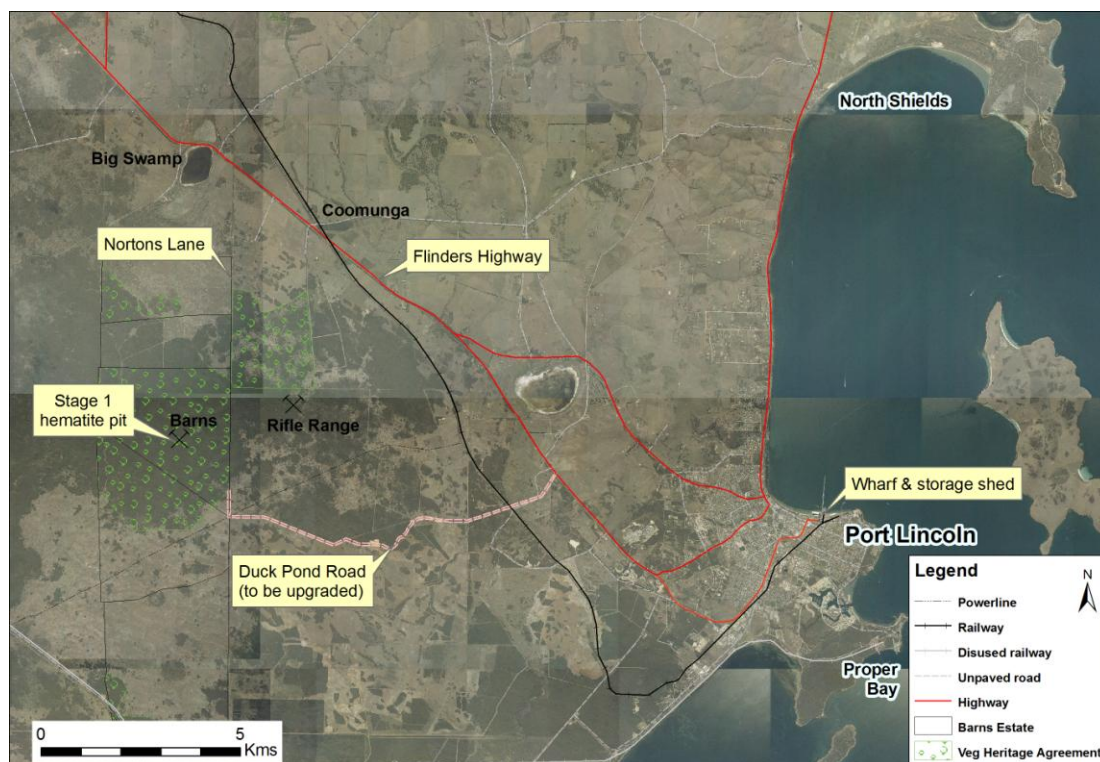


Figure 4: Conceptual transport route for Stage 1 mining of Barns DSO deposit

Material Storage and Handling

There are two options for storage and handling at Port Lincoln: containers and bulk.

- Containers are being used successfully by IMX Resources Limited at Port Adelaide and a similar system could be installed and operated at Port Lincoln. Containerised ore would be stored on the wharf or nearby and loaded into ships' holds using a tippler system with mist spray to control any dust.
- The alternative is to store ore in a negatively-pressured shed at Port Lincoln and load it directly into ships' holds via a negatively-pressured or fully enclosed conveyor system. Trucks would be unloaded in an enclosed shed.

Drilling Program

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 commenced in mid November to test this zone and exploration targets for potential DSO hematite and to establish inferred and/or indicated Mineral Resources for such.

Up to the end of December 2010, a total of 3,712m of drilling was completed including some groundwater monitoring wells.

Only limited assay results have been received to date but they include two zones of elevated hematite mineralisation: GFRC198 to GFRC199 and GFRC205 to GFRC210 (see results below).

Drill Hole	Easting	Northing	From	To	Interval	Al ₂ O ₃	Fe	MnO	P	SiO ₂	LOI	CaFe
	MGA m	MGA m	m	m	m	%	%	%	%	%	%	%
GFRC198	563102	6158730	28	34	6	3.52	49.34	0.16	0.37	14.87	8.99	54.2
GFRC199	563121	6158767	24	32	8	2.14	50.51	0.77	0.62	10.95	10.31	56.3
GFRC205	563296	6158990	38	57	19	0.81	45.72	4.13	0.22	18.06	9.00	50.2
<i>including</i>			40	52	12	0.58	48.59	3.89	0.21	14.45	9.11	53.5
GFRC206A	563308	6159016	42	68	26	1.30	46.11	3.76	0.22	14.05	10.34	51.4
<i>including</i>			44	56	12	1.67	50.85	2.42	0.24	12.24	9.05	55.9
GFRC207	563328	6159047	52	68	16	0.83	43.60	6.60	0.20	17.68	9.97	48.4
<i>including</i>			58	66	8	0.53	47.98	7.98	0.19	9.87	10.72	53.7
GFRC210	563445	6159196	60	82	22	0.46	43.07	7.00	0.37	9.54	16.73	51.7
<i>including</i>			62	74	12	0.44	46.07	8.51	0.34	6.86	14.92	54.2

Neither zone contains DSO >55% Fe but there are intervals where CaFe is above 55%. Both zones may be suitable for simple beneficiation using a jig, gravity spiral and/or Wilfley table. Drilling is continuing.

Mining Lease Application

During the quarter, Lincoln commenced 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 were undertaken by EBS Ecology and included:

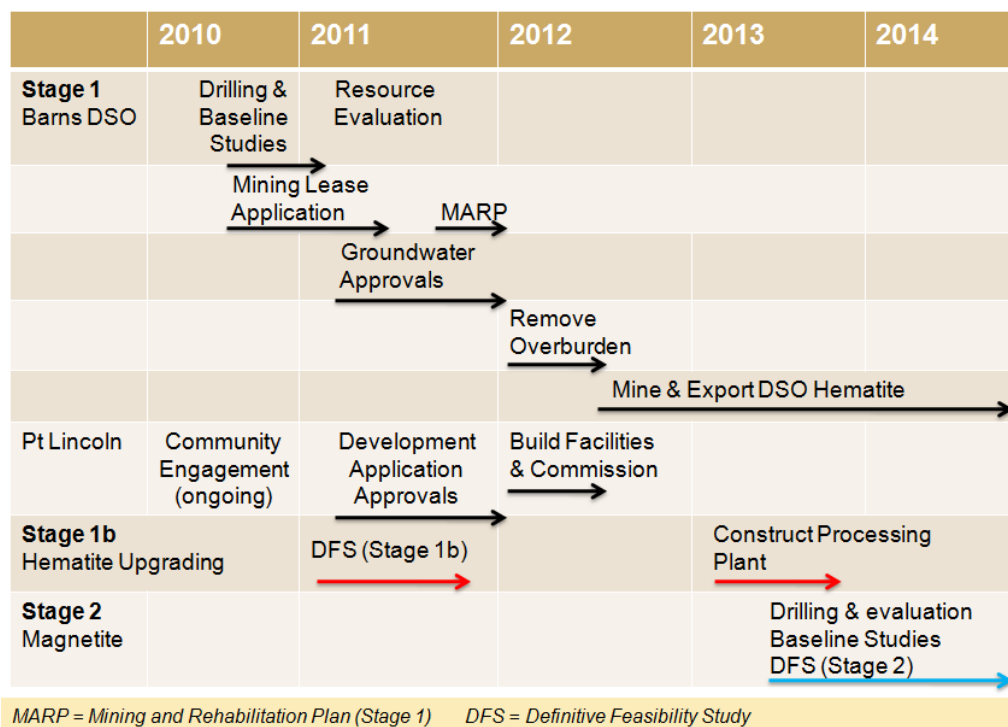
- establishing trap sites in the Barns Prospect area to trap and record the main fauna communities;
- establishing survey sites in representative locations to define and map vegetation associations, assess the condition, and maximise the species diversity observed;
- identifying the diversity, abundance, and distribution of exotic weed species;
- mapping the vegetation associations of the proposed Haul Road alignment; and
- conducting a fauna habitat assessment of the proposed Haul Road alignment.



Fourteen vegetation sites were established and eight sites were surveyed for mammals, reptiles, frogs, and birds for up to four consecutive nights. The final report is pending and will be released with the Mining Lease Application.

Forward Planning

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.



Eurilla Iron Ore and Uranium Project– EL 3690

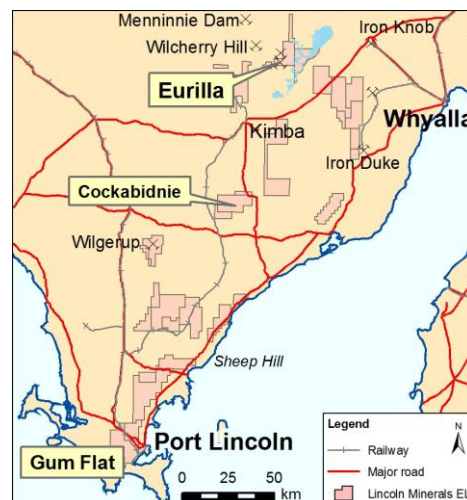
(LML has exclusive rights to all minerals)

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.

During the quarter, Lincoln Minerals undertook an aircore/slimhole RC drilling program of 3,277m, focusing on extensions to iron ore resources, both along strike and at depth, and evaluating the strike and depth extent of the uranium mineralisation.



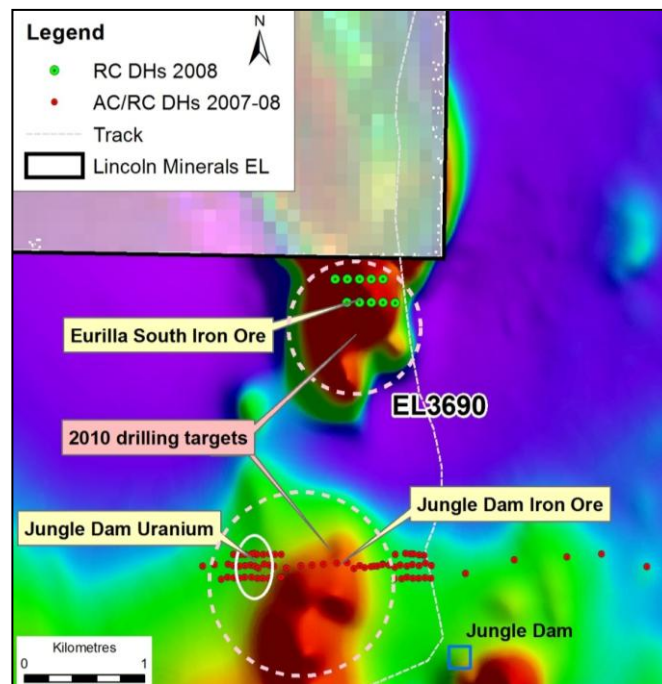


Figure 6: Location of Eurilla South and Jungle Dam drilling in relation to total aeromagnetic intensity anomalies, EL 3690

Nantuma Iron Ore Project – ELA 384/10

(LML has applied for the rights to all metals)

Lincoln Minerals is set to expand its iron ore footprint on South Australia's Eyre Peninsula and has applied for a licence area immediately west of Iron Road Limited's Warramboo-Central Eyre Iron Project.

The target area, Nantuma ELA 384/10, comprises 510 square kilometres and includes the western extensions of the Warramboo and Kopi suites of magnetic anomalies.

There is a total of at least 25km of moderate to high intensity aeromagnetic anomalies within ELA 384/10. This represents a significant exploration target for iron ore at similar grades to what Iron Road has identified at Warramboo.

Importantly, it adds to Lincoln Minerals' iron ore footprint at a time when Eyre Peninsula – home to Australia's first iron ore mining operations – is re-emerging under modern exploration technologies and methods as an Australian iron province with substantial remaining upside.

Cockabidnie Nickel-Cobalt-Scandium Project – EL 3609

(LML has rights to all metals except iron)

During the Quarter, Lincoln Minerals re-evaluated results from its 2008 lateritic nickel-cobalt drilling program. Results obtained from portable XRF analysis showed 42 occurrences of anomalous scandium. Of these, 20 pulps contained anomalous scandium and were subsequently re-assayed (laboratory ICPMS). The new assays gave values ranging between 13 ppm and 51 ppm Sc (mean 33.5 ppm) with six samples having above 40 ppm Sc.

SAMPLE	Easting (MGA m)	Northing (MGA m)	From	To	Sc (ppm)
CBAC128-023	623672	6287602	22	23	50.8
CBAC128-024	623672	6287602	23	24	47.9
CBAC128-025	623672	6287602	24	25	46.7
CBAC131-046	623843	6287819	45	46	40.0
CBAC138-032	623908	6287770	31	32	43.0
CBAC147-049	623949	6288135	48	49	42.7

The scandium mineralisation is spatially associated with anomalous nickel in the Coompana Syncline, and has a strike extent of 700 m and a width of 300 m. Because the initial sampling did not capture all of the anomalous scandium detected by portable XRF, the scandium mineralisation may be distributed over a much wider area.

A program to define the extent of the scandium mineralisation and identify economic grades is being planned.

Tumby Bay-Koppio-White Flat-Greenpatch base metals – ELs 3611, 3731, 3877 and 4384

(LML has rights to all metals except iron)

Eyre Iron Pty Ltd, the JV company established between Centrex Metals Limited (CXM), the SA Iron Ore Group Pty Ltd and Wuhan Iron and Steel Group (WISCO), has contracted Fugro Airborne Surveys Pty Ltd to fly a 15,422 line kilometre combined aeromagnetic and radiometric survey over the Lincoln Uplands commencing in late January 2011. The survey will be flown at a nominal height of 40m above ground level and 40m line spacing.

Under the terms of the Coordination and other agreements between the CXM group and Lincoln Minerals, the survey data and maps will be shared with Lincoln Minerals.

This is a large, very detailed survey and will greatly facilitate Lincoln Minerals exploration for copper, nickel, vanadium and other metals excluding iron in this region. In particular, the radiometrics will be invaluable for uranium exploration. There are several uranium prospects in the proposed survey area including Carinya and White Flat where mapping using a field portable Niton XRF analyser identified uranium mineralisation grading up to 1.08% U.

Results from the aeromagnetic-radiometric survey are expected about March 2011.

Other Projects

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

CXM and its Chinese joint venture partners, the Baogang Group and WISCO, are undertaking major drilling programs at, respectively, Bungalow (EL 3610) near Cowell and on their southern tenements near Port Neill and Tumby Bay (ELs 3611, 3731, 3877 and 4384).

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 during the quarter.



INDONESIA

Lincoln Asia-Pacific Limited

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

LML is focussing on areas close to established infrastructure including existing port facilities and has its own drilling rig and Indonesian field crew.

Geological reconnaissance and surface geochemical sampling were undertaken on projects in western Timor shallow surface outcrops have located up to 55% Mn along a 4km long zone of mineralisation near Lampung. Follow-up work is being planned.

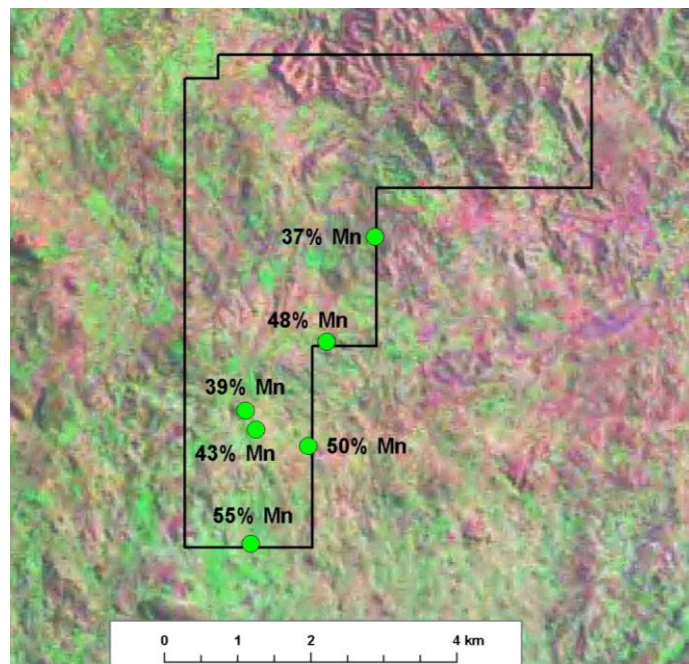


Figure 8: Location of anomalous manganese samples in western Timor

CORPORATE

At 31 December 2010, the Company had approximately \$1.7 million cash.

As previously disclosed, the Company is proposing to seek additional funds in the near future to fund Gum Flat and other projects. The Company has an agreement in place regarding underwriting a Rights Issue. The amount underwritten has been increased to \$2,000,000 and the term of that agreement has been extended pending a decision on various options in regard to fund raising.

In addition to the new ELA near Warrambo, Lincoln Minerals has also been granted transfer of title to EL 3702 at Wanilla on southern Eyre Peninsula. This tenement of 1,000 square kilometres was previously held by International Metals Pty Ltd with whom Lincoln Minerals and Mineral Enterprises Australia Pty Ltd had a Joint Venture to explore for iron ore and other minerals. International Metals and Mineral Enterprises have both withdrawn from that JV giving Lincoln Minerals 100% ownership of rights for all metals on EL 3702.

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 28 January 2011	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 28 January 2011

Tenements	Exclusive Rights	Area (sq km)
11	All minerals	2,646
16	All minerals except iron ore	1,947
1	Exploration License Application	510
	TOTAL	5,103

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.*