

Quarterly Activities Report – December 2009

SUMMARY

SOUTH AUSTRALIA

Gum Flat Iron Ore

- Resource drilling program commenced
- Barnes magnetite deposit extended to at least 325m below ground level
- Detailed metallurgical study completed
- Grinding to P₈₀ of 32 microns will produce a DR grade concentrate
- Option to buy back 40% interest held by Indian JV partner
- Formal discussions with Chinese investors regarding investment and off-take agreement



Wilcherry Iron Ore

- Lincoln retains 100% ownership of 21.7Mt iron ore inferred resource

INDONESIA

- Lincoln Asia-Pacific Limited formed to manage/operate Indonesian projects
- Geological reconnaissance identified high grade manganese in western Timor
- Ongoing evaluation of additional projects in Kalimantan, Sulawesi and Flores

CORPORATE

- EL 4361 granted in Dutton Bay area west of Port Neill (SA)
- Negotiations ongoing with Centrex Metals Limited regarding Coordination Agreement and Deeds of Consent and Assumption.



Figure 1: Location of Lincoln Minerals' tenements



SOUTH AUSTRALIA

EXPLORATION PROGRESS DURING THE QUARTER

Gum Flat Iron Ore – EL 3422

(LML 60% MEA 40%)

The Gum Flat Iron Ore Project is located on southern Eyre Peninsula within 20km of Port Lincoln.

In April 2009, LML announced maiden resources for Gum Flat including:

- Total Magnetite Inferred Resource 55.2 Mt at 20.6% DTR concentrate
- Total Hematite Inferred Resource 0.6 Mt at 55.6% Fe (50% Fe cut-off) or 2.5 Mt at 45.5% Fe (35% Fe cut-off)

The Exploration Targets for magnetite and hematite (including the above resources) are:

- Magnetite 125-200 Mt at 20-25% Fe
- Hematite 3-10 Mt at 45-60% Fe (incl. 1-2 Mt DSO at 55-60% Fe)

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.

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 earned a 40% participating interest in EL 3422 by spending \$2.5 million on exploration.

Recently Lincoln Minerals entered into negotiations to purchase back the 40% interest earned by MEA. Agreement terms have been reached in principle and will be subject to LML obtaining the necessary finance.

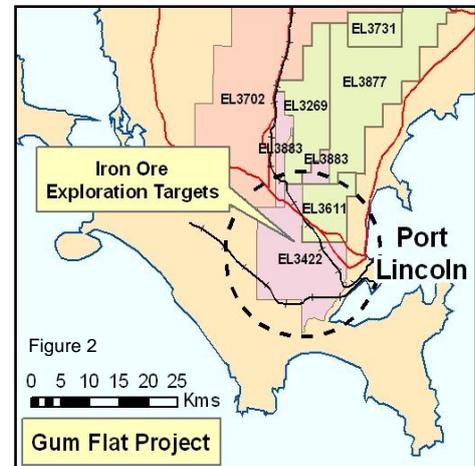
In conjunction with this option, LML is negotiating an investment and offtake agreement with a Chinese steel mill. A non-binding Letter of Intent has been received to finance the above purchase from MEA.

Drilling

Drilling recommenced at Gum Flat during the quarter to define additional magnetite and hematite resources. At the end of December, the following drilling had been completed:

- 1,928m reverse circulation (RC) drilling targeting hematite direct shipping ore (DSO) on the central Barns Prospect; and
- 786m diamond core drilling targeting deeper magnetite ore on the Barns Prospect but also including a metallurgical hole on the hematite DSO.

Drilling stopped over the Christmas period but recommenced the second week in January 2010 and will continue into February.



Down dip from the central B1 zone of the Barns Prospect, good 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).

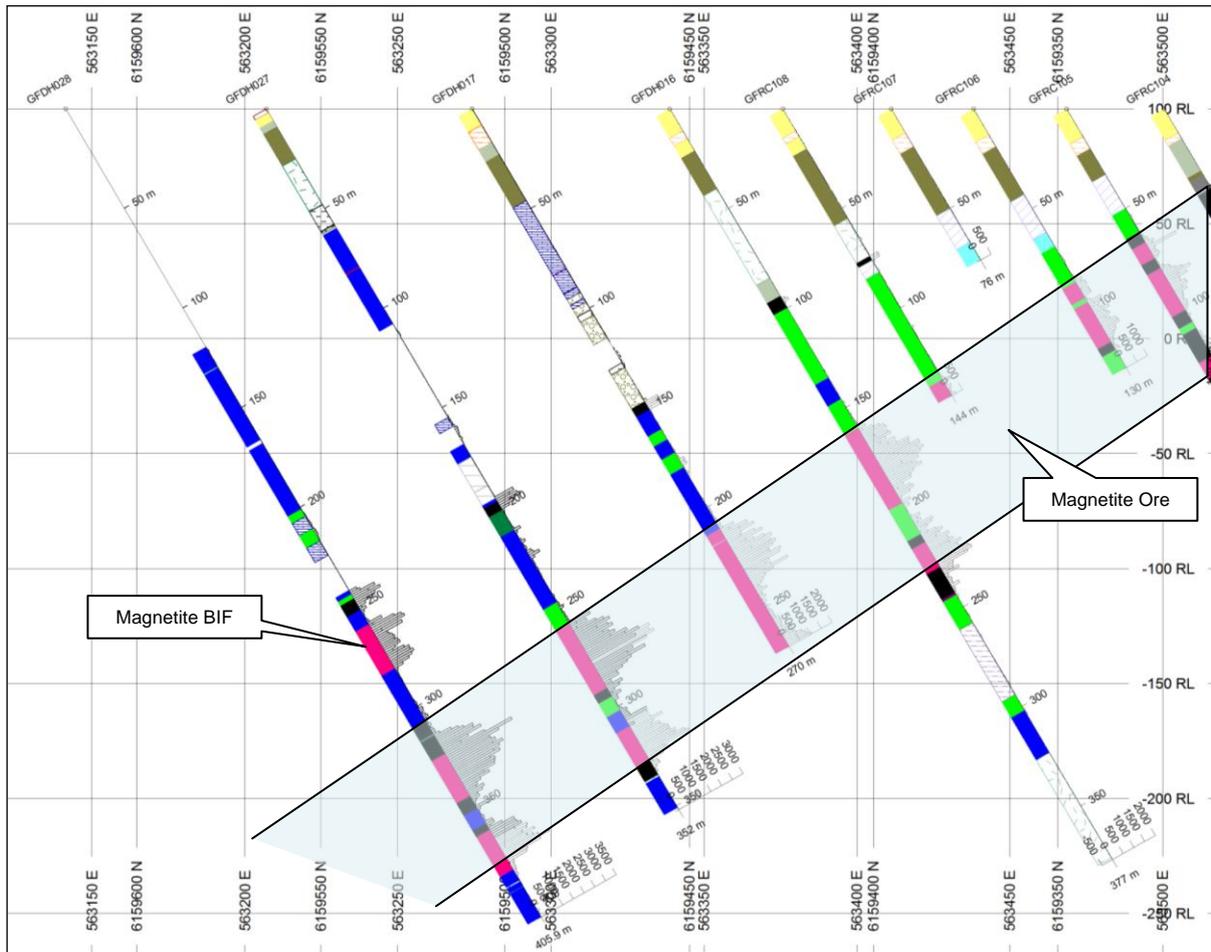


Figure 3: Central Barns Prospect Section B1 (bars = magnetic susceptibility)

Drilling at the southwestern end of the Barns Prospect has identified a significant 95m intersection of good banded magnetite representing a synclinal fold hinge. This area was not previously included in the inferred resource for Barns Prospect.

Assay data for the drilling completed to date is incomplete and has not yet been compiled.



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

Metallurgical Study

A detailed metallurgical study of magnetite iron ore from the Barns Prospect was prepared during the quarter as a precursor to a scoping study to evaluate appropriate mining and beneficiation procedures. Perth-based iron ore specialist, Engenium Pty Ltd, was contracted to oversee and



manage the test work and to advise on sampling and assay procedures. Several bulk hematite and magnetite samples were tested.

General indications from this work were that all of the magnetite samples could reach a suitable blast furnace (BF) grade. One of the samples required a P₈₀ grind of 32 microns while the other two from the central Barns Prospect could easily make a blast furnace grade at P₈₀ 70 micron and likely make a direct reduction (DR) grade at P₈₀ of 32 micron.

If the samples are weighted as equal parts in the whole of the plant feed, then an approximate final grind P₈₀ of 40 micron would be required. An indicative BF concentrate grade would be:

% Wt	%Fe	% SiO ₂	% Al ₂ O ₃	%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.

Wilcherry – EL 3690

(LML has exclusive rights to all minerals)

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

Lincoln Minerals had a Heads of Agreement (HoA) with IronClad Mining Limited (ASX: IFE) under which IFE could earn up to 80% of the rights to explore for and mine iron ore (only) within EL 3690. EL 3690 straddles the southern extension of IFE's Hercules iron ore target.

IronClad did not meet the required expenditure commitments by 31 December 2009 to earn the Stage 2 interest in the rights for iron ore on EL 3690. Consequently LML now retains 100% of the iron ore rights.

As previously announced, the *in situ* Inferred Mineral Resource outlined by Golder Associates for that part of the Hercules target within EL 3690 is 21.7 Mt @ 33.3% Fe. LML considers the exploration target for the Hercules South deposit is 50-100 Mt @ 30-35% Fe.

Other Projects

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

INDONESIA

Lincoln Asia-Pacific Limited

During the quarter, LML formed a new wholly-owned subsidiary, Lincoln Asia-Pacific Limited (LAP) with the intention of managing and operating projects in Indonesia and the greater Asia-Pacific region.

A number of projects in Indonesia and southeast Asia have been offered to LAP and the company has been negotiating Heads of Agreements with some of the owners of these projects. A bilingual Heads of Agreement was drafted by the company's legal representatives in Jakarta.

Some of the projects being considered by LAP include:

- Manganese in western Timor;
- Iron ore and iron sands in west Kalimantan and Flores;



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



The mine is being developed by an Indonesian mining company, PT. Samusa Bintang Mandiri, jointly owned by Lincoln (45%) and Samusa (55%).

About 7,000-10,000 tonnes (t) of high grade iron ore has been stockpiled during trial mining and selected samples range from 63.9% to 68.7% Fe. The average grade of these run-of-mine (ROM) samples is:

Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
66.2	2.02	1.31	0.04	1.85

Shipment of stockpiled ore and mining at the Desa Mirah mine site have been delayed due to ongoing negotiations with the palm oil plantation owner on whose land the mine is located.

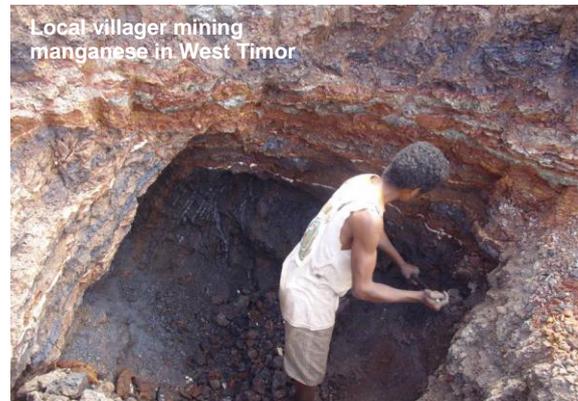
Sulawesi and West Timor

During the quarter LML geologists have visited several areas in Sulawesi and West Timor to undertake geological reconnaissance including field XRF analysis and selective sampling for laboratory analysis and thin-section work.

The highlands of central Sulawesi are host to magnetite-copper-gold (base metal) systems where old workings or adits and previous exploration has recorded total iron in the range 56.1-67.3% Fe, copper up to 2.59% Cu, gold up to 13.1 g/t Au plus silver, lead and zinc.

In central West Timor, there are numerous small manganese occurrences many of which are being mined by local villagers and other miners. Manganese grades range up to 58% Mn.

The manganese occurs in thin layers intercalated with slaty shale and limestone of ocean floor origin plus local pods and lenses of massive manganese.



CORPORATE

At 30 December 2009, the Company had approximately \$2.9m cash.

During the quarter, one new exploration license (EL 4361) was granted in the Dutton Bay area west of Port Neill.

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. LML, under the terms of its agreement with CXM, is required to give its approval for any transfer of interest in the iron ore rights to a third party. LML has agreed to give its approval subject to all parties signing Deeds of Consent and Assumption to ensure that none of LML's existing rights are diminished in any way. LML and CXM have signed the Deeds but await signing by their joint venturers.

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)

Securities on Issue

Shares at 30 December 2009	100,501,286
Options outstanding	
Exercisable at 30 cents, expiring 30 June 2010	35,771,854
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	40,731,854

Tenements at 30 December 2009

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

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.