

LML.AU

27 September 2011
Iron Ore, Uranium, Base Metals, Copper, Manganese
Australia (SA)
Scoping Study / Approvals
Exchanges: ASX:LML

Lincoln Minerals Limited

A\$ 0.10

LML's 100% owned flagship Gum Tree Iron Ore Project is located within 20km of Port Lincoln and plans to produce 0.5mtpa DSO lump and fines at 55% Fe from mid-late 2012. Scoping study demonstrates low opex and capex. Stage 2 is 2-2.5mtpa magnetite concentrate.

Capital Profile

Share price (A\$)	0.10
52 week range (A\$/share)	0.09 to 0.24
Number of shares (m)	133
Options and warrants (m)	5
Convertible notes (m)	0
Fully diluted (m)	138
Market capitalisation (undiluted) (A\$m)	12.7
Debt (A\$m) - Sep 11F	0.0
Enterprise value (A\$m)	12.7
Major shareholders:	
South Cove Limited (18.77%), Directors and Associates (13.7%)	
Avg monthly volume (m)	0.60
Cash (A\$m) - Sep 11F	0.7
Price/Cash (x)	17.3
Price/Book (x)	0.9
Listed company options:	No

Investment Points

Focused on iron ore exploration and development, at Gum Flat (100%) in Eyre Peninsula, South Australia.

Gum Flat Iron Ore Project (LML 100%) is within 20km of under-utilised Port Lincoln.

Stage 1 to produce 0.5mtpa 55% Fe DSO lump and fines. Targeting production mid-late 2012.

Scoping study demonstrated stage 1 DSO is low cost with opex of \$37/t and capex of \$30m.

Stage 2 to produce 2-2.5mtpa magnetite concentrate. Various transportation options: capex \$235-290m, opex \$60-65/t excluding mining.

Offtake agreement: HoA with Chinese steel mill, Jiangyin Huaxi Steel Co. Ltd to take at least 50% of production.

Our valuation of Gum Flat 0.5mtpa DSO operation is \$0.40/share discounting an iron ore price of US\$145/t (@62% Fe, CFR).



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Directors

R Ryan (Non Exec Chair)
A Parker (MD)
R Althoff (Non Exec)
P Cox (Non Exec)
E Lim (Non Exec)

Production and Financial Forecasts

YEAR END: June	Jun-11a	Sep-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	0.80	0.77	2.35	2.13	1.37
Corporate (A\$m)	0.26	0.44	1.08	1.13	1.75
Exploration/(Expl. + Corporate) (%)	76	57	68	65	44
Funding duration at current burn (years)			1.0	0.6	0.6
Shares on issue (pr end) (m shares)	133.4	133.4	117.0	133.4	195.0
Drilling - RAB (m)	na	na	0	0	0
Drilling - Other/Diamond (m)	na	na	0	10,360	7,000
Land holding ('000 ha)	510	510	510	510	510
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.00	0.00	9.51	2.5	7.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	1.9	0.7	3.5	1.9	1.9
Cash backing (A\$/share)	1.4	0.5	3.0	1.4	1.0
Net asset backing (A\$/share)	11.3	9.9	17.0	10.2	10.5

* Quarters stated on calendar year basis.

Company Comment

Overview: Lincoln Minerals listed on the ASX in March 2007, primarily focused on iron ore exploration and development across South Australia's Eyre Peninsula. LML's portfolio also includes nickel-cobalt, uranium, lead-zinc-copper-silver and gold projects in the same province. The projects are close to infrastructure including established rail and heavy haulage roads and ports including a proposed new bulk minerals handling port planned for loading capsize vessels at Sheep Hill.

Gum Flat Iron Ore Project (100%, SA): LML's flagship project is well located within 20km of Port Lincoln an existing under-utilised port capable of handling panamax ships. LML proposes to export 0.5mtpa DSO commencing mid to late 2012 via Port Lincoln. Transport is by road in covered containers that are emptied into handymax vessels at the main wharf. A scoping study was completed mid-2010 and indicates opex A\$37/t. A revised capex estimate of A\$30m includes pre-strip, as the orebody is under 10-20m limestone cover, and the purchase of containers. Cost optimisation is ongoing. A 55% Fe lump and fines product will be produced from the Barns resource of 0.9mt at 54.2% Fe (or 57.9% calcined Fe). In order to utilise the total hematite resource of 3.6mt at 46.2% Fe a dry magnetic and/or gravity separation plant will be required. Further metallurgical testing is planned on diamond core to optimise the process flowsheet.

Stage 2: Produce 2-2.5mtpa high grade 66.7% Fe magnetite concentrate based on 99.3mt resource at 24.4% Fe with a DTR yield of 20.2%. Various transportation options are available and have been studied including road, rail and slurry pipeline to Port Lincoln for capex A\$235-290m and opex A\$60-65/t (excluding mining costs). Infill, geotechnical, and metallurgical drilling in order to upgrade the stage 2 resource to indicated category is complete.

Exploration Target: 350-850mt mostly magnetite over the entire Gum Flat project area.

Development: LML currently finalising preparation of Mining Lease Proposal. The project is within a prescribed wells area and partially within two vegetation heritage agreement areas. LML has undertaken significant work to prove that the proposed operation will not impact the main aquifer. LML is targeting to commence production in mid-late 2012 subject to approvals and financing.

Offtake Agreement: A Head of Agreement with Chinese steel mill, Jiangyin Huaxi Steel Co. Ltd to take at least 50% of the hematite and magnetite production from Gum Flat.

Eurilla Iron Ore and Uranium project (100%, SA): Located along strike from Ironclad's (ASX: IFE) Wilcherry Hill. The area has a resource of 21.7mt @ 33.3% Fe over 1.6km strike at Eurilla South and an exploration target of 50-100mt 30-35%. In addition, up to 66% MnO and up to 61% Fe₂O₃ discovered in surface outcrops (gossans) over 150m long near Uno associated with anomalous copper, cobalt and gold.

Other projects: LML has non-iron rights to extensive tenure (1,947km²) that is being actively drilled for iron ore by JV's involving Centrex Metals (ASX: CXM) and Chinese partners at Bungalow and White Flat, SA. Under the agreement LML has access to all drill core and assay results. LML believes the areas drilled are prospective for copper, vanadium and base metals. Other projects include Cockabidnie for nickel-cobalt, basemetals and gold and West Timor for manganese (55% Mn outcrop along 4km strike). Nantuma, is adjacent to Iron Road's (ASX: IRD) 1.3bt at >16% Fe magnetite resource Central Eyre project, an exploration license application has been submitted.

Investment Comment: Our valuation for Gum Flat 0.5mtpa operation, utilising all 3.6mt at 46.2% Fe, is A\$0.40/share at an average index price of US\$145/t (@ 62% Fe, CFR) and exchange of 0.95 (AUD:USD). LML should move toward our valuation price once mining approvals are granted and financing is secured.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:

Iron ore (Fe)	Classification	Project	Ore	Fe	Cut off	Fe	Fe Eqty
		Equity	Mt	%	%	mt	Mt
Reserves						0.0	0.0
Resources							
Gum Tree Hematite*	Indicated, Inferred	100%	3.6	46.2		1.7	1.7
incl Barns >50% Fe **	Indicated	100%	0.9	54.2		0.5	0.5
Gum Tree Magnetite***	Inferred	100%	99.3	24.4		24.2	24.2
Total			102.9			1.7	1.7
Eurilla South	Inferred	100%	21.7	33.0		7.2	7.2

* Also: SiO₂, 19.9%; Al₂O₃, 1.83%; P, 0.41%; cFe, 49.4%. ** SiO₂, 11.2%; Al₂O₃, 1.12%; P, 0.48%; cFe, 57.9%.

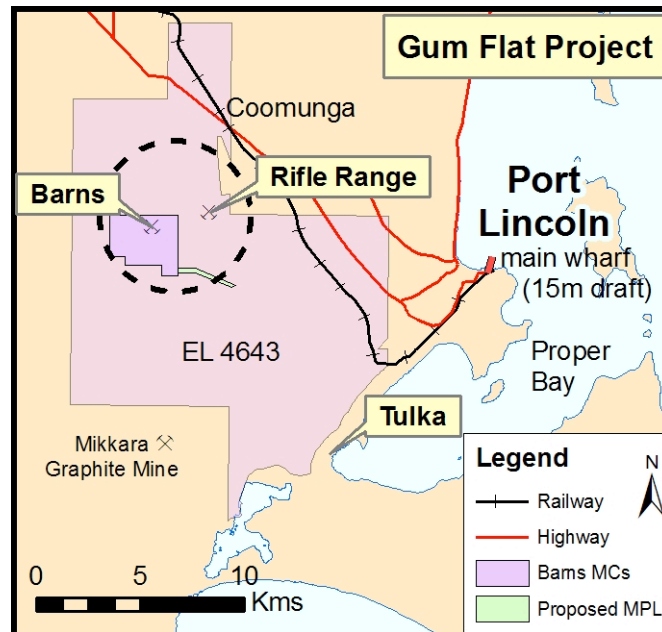
*** DTR, 20.6%; conc SiO₂, 5.2%; conc Al₂O₃, 0.55%.

Key Projects

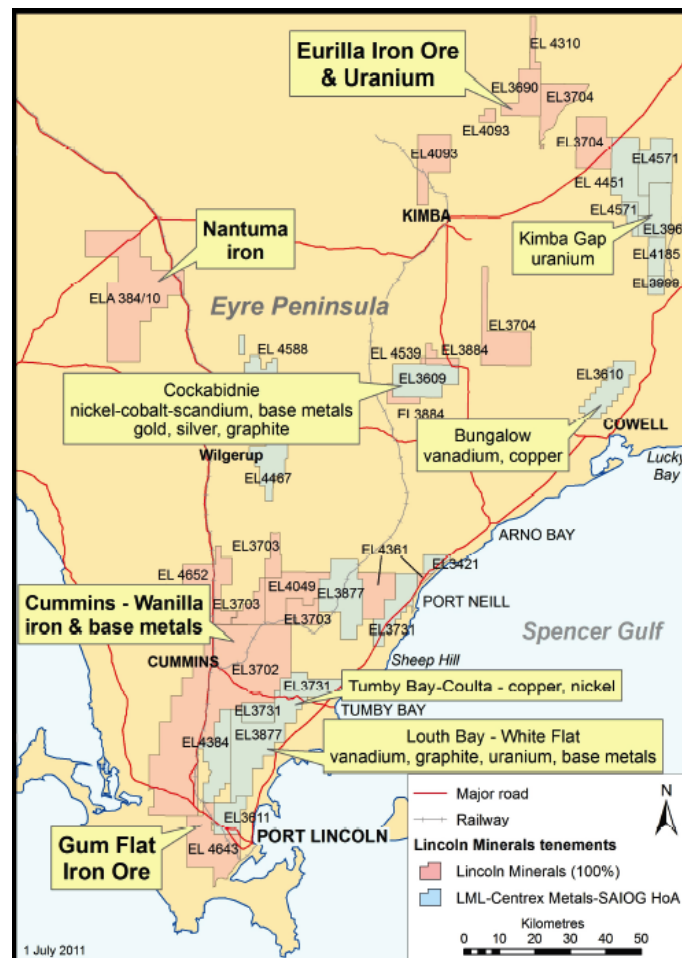
Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Gum Tree	100%	Fe	na	Hem/Mag	DSO/WHIMS	Feasibility	Aus (SA)
Eurilla	100%	Fe, U, Mn	na			Early Expl	Aus (SA)
White Flat, Bungalow*	100%	Cu, BM, V	na			Early Expl	Aus (SA)
Cockabidnie - Campoona*	100%	Ni, Co, U	na			Early Expl	Aus (SA)
Nantuma	100%	Fe	na			Early Expl	Aus (SA)
West Timor	100%	Mn	na			Early Expl	Indonesia

* non Fe rights only

LML's flagship 100% owned Gum Flat Iron Ore Project is located within 20km of Port Lincoln. Port Lincoln is under-utilised and can handle panamax vessels. Initial 0.5mtpa operation will haul DSO in containers on road trains to the existing port resulting in low operating and capital costs.



LML has over 5,000km² of tenure on the Eyre Peninsula, South Australia. LML is exploring for various metals including iron ore, base metals, uranium and manganese.



Disclosure and Disclaimer

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