

## Quarterly Activities Report – December 2012

### SUMMARY

#### Graphite Opportunities

- Analysts expect graphite to sustain its global demand and equity market upside
- Over 30 known graphite prospects and historic graphite mines near Port Lincoln and Cleve on Lincoln's Eyre Peninsula tenements
- Lincoln's Kookaburra Gully and Koppio graphite prospects rank in world Top 10 based on grade
- Maiden resource-definition graphite drilling program commenced in mid January 2013 to target high grade Kookaburra Gully resource
- Exploration Targets (\*\*) in the Koppio-Kookaburra Gully area total 14.2 million to 46.2 million tonnes down to, respectively, 50m and 100m below ground level at 7-15% TGC
- Petrological study highlights coarse flake size up to 1.5mm at Kookaburra Gully and Koppio
- Scoping study revised for Kookaburra Gully project to include conceptual 400,000 tonnes of ore per annum graphite mine:
  - To produce 30,000 tonnes to 40,000 tonnes per annum high grade graphite concentrate
  - Estimated capital expenditure \$48.5 million including EPCM and 10% contingency
  - Estimated processing operating cost \$385 per tonne flake graphite concentrate based on 80% recovery (**excludes mining costs**)

#### Gum Flat Iron Ore Project

- Planning and background studies ongoing for proposed Barns Stage 1 DSO iron ore mine:
  - Application prepared for revised groundwater extraction license with proposal to re-inject back into bedrock
  - Project delayed by groundwater licenses but still potential to commence mining Barns DSO hematite-goethite in 2014 subject to finance, regulatory approvals and market conditions
  - Draft Mining Lease Proposal completed and awaiting submission
  - Major bushfire in November damaged some vegetation and fences on Lincoln's Barns property. Lincoln Minerals' staff and equipment made a major contribution to controlling the fire.

#### Eurilla Project

- Infill soil sampling survey undertaken over high priority epithermal silver, gold, manganese and base metal targets
- SA Government PACE grant offered to Lincoln for drilling at Uno

*\*\* It is emphasized that exploration target tonnage estimates 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.*

*Mt = million tonnes DSO = Direct Shipping Ore TGC = total graphitic carbon*

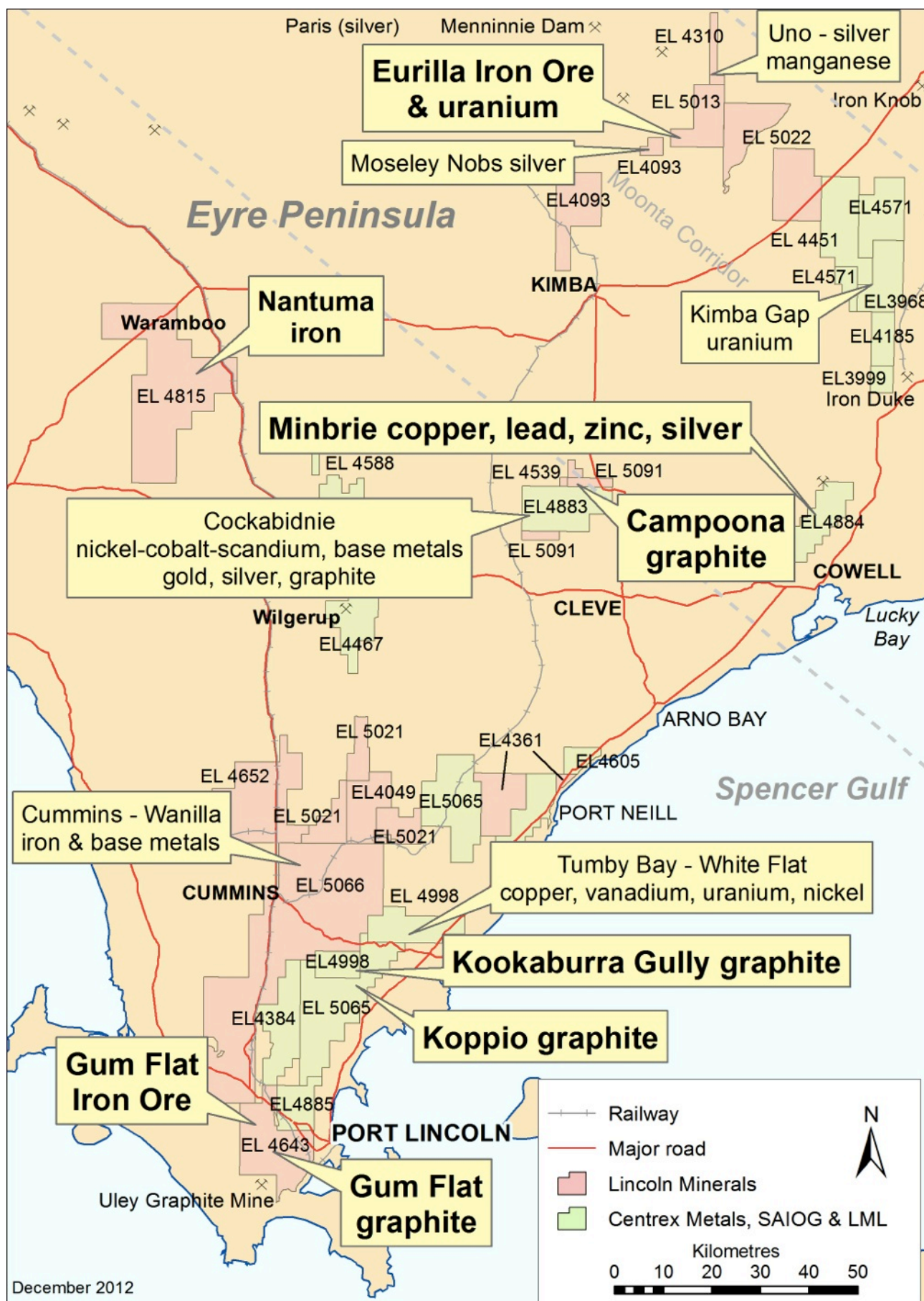


Figure 1: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements

## SOUTH AUSTRALIA

### EXPLORATION & DEVELOPMENT PROGRESS DURING THE QUARTER

#### Graphite – various ELs

(LML has exclusive rights to graphite on all tenements)

Graphite is a form of carbon, an excellent conductor of heat and electricity with the highest natural strength and stiffness of any material to extremely high temperatures. It is best known as the “lead” in pencils and as a dry lubricant. It is also commonly used in steelmaking for lining blast furnaces, “brushes” in electrical motors etc and, in particular, as the anodes in lithium-ion batteries which is a growing market – there is 10-20 times more graphite than lithium in such batteries.

Extensive graphite resources occur on Eyre Peninsula in South Australia; Eyre Peninsula is the “**Pilbara**” of **graphite** in Australia. The largest existing resource and mine (currently on care and maintenance) is the Uley Graphite Mine located approximately 2 km south along strike from LML’s Gum Flat EL 4643 (Figure 1). There are also numerous occurrences and historic mines within 5km of the historic town of Koppio, approximately 35km north of Port Lincoln including:

- Koppio Graphite Mine – intermittently worked from the early 1900’s to 1946 with a small resource averaging 13.1% total graphitic carbon (TGC) but containing high grade lenses up to 32% TGC
- Kookaburra Gully Prospect – identified and investigated by Pancontinental Mining during the 1980’s and containing a shallow Inferred Resource of 880,000 tonnes at 11.5% TGC down to 50m below ground level
- Pernella Prospect – historic occurrence containing 9-12% coarse flake graphite @ 80-86% C (carbon).

Other prospects on LML’s tenements within SA’s Eyre Peninsula include:

- Campoona Syncline (Cockabidnie) – immediately adjacent to Archer Exploration Limited’s (AXE) Campoona Hill and Sugarloaf Hill graphite prospects
- Gum Flat area immediately along strike from Uley Graphite Mine – including the historic Lincoln Plumbago prospect containing 7-12% medium-coarse flake graphite @ 80-83% C.

Outside of China and excluding high purity Sri Lankan vein deposits, Kookaburra Gully and Koppio Graphite Mine are recognised in the Technology Metals Research (TMR) Advanced Graphite Projects Index as Top 10 graphite deposits in the World with respect to grade.

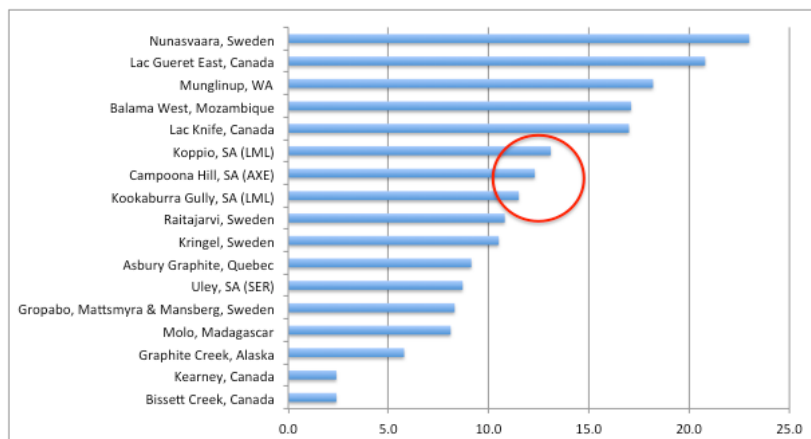


Figure 2: Graphitic carbon (TGC) grades for global graphite deposits (excluding Chinese and vein deposits)



## Graphite Exploration Program

During the previous quarter, Lincoln Minerals completed airborne electromagnetic (EM) surveys over the Koppio, Kookaburra Gully and Campoona Syncline (Cockabidnie) areas and preliminary processed data and maps from these surveys were received in October.

Graphite has been widely identifiable from EM surveys in the past due to its high electrical conductivity. Graphitic rock units are very good conductors and therefore are easily detected by EM.

During this quarter, the EM data were reprocessed to generate depth slice maps and sections and drilling exploration targets.

The Koppio-Kookaburra Gully survey is located on southern Eyre Peninsula 35 km from the port of Port Lincoln and was a detailed 100m line-spaced survey over the historic Koppio Graphite Mine and Kookaburra Gully graphite deposits.

Based on preliminary imagery from that survey (Figure 4), the Kookaburra Gully prospect is located on the northeastern end of a 4.5 kilometre long EM anomaly (Kookaburra Gully Extended) which defines a conceptual exploration target (\*\*) of about 7.4 Mt to 19.8 Mt of graphite mineralised rock averaging about 7-15% graphitic carbon (TGC). Total exploration targets in the Kookaburra Gully-Koppio EM survey area are 14.2 Mt to 42.6 Mt at estimated averaged grades in the range 7-15% TGC (*refer June-September 2012 Quarterly Activities Report*).

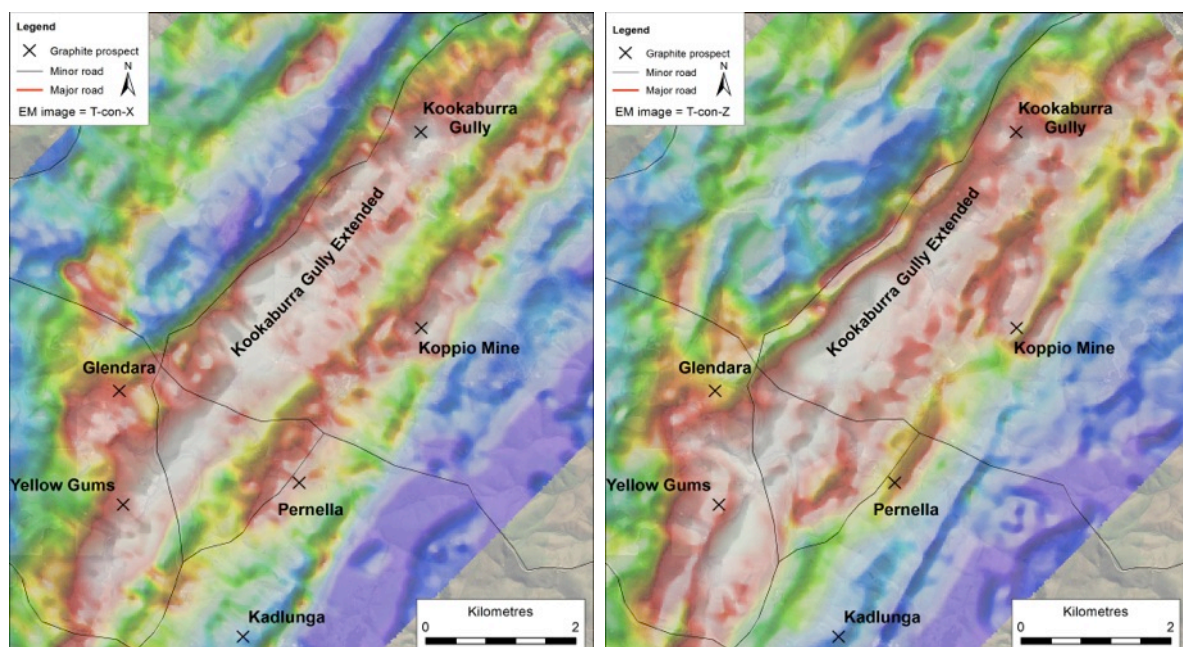
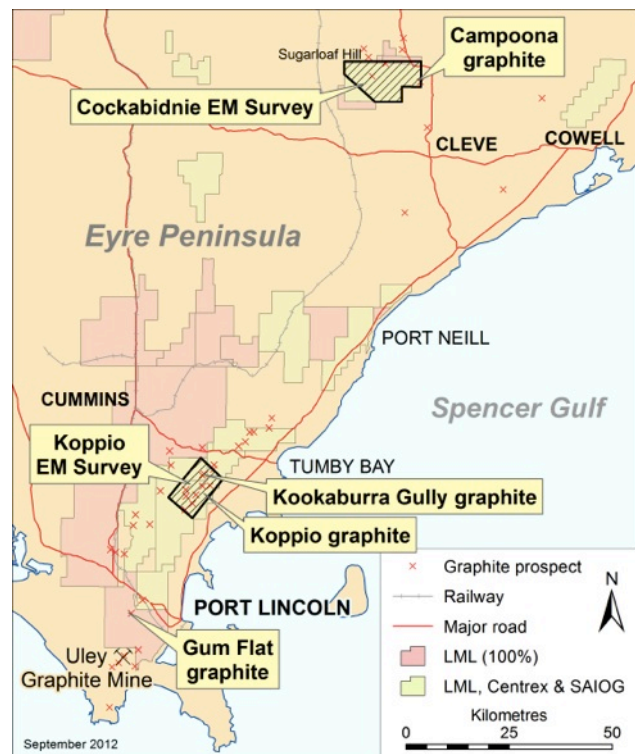


Figure 4: Reprocessed Koppio-Kookaburra Gully EM conductivity maps

**\*\* It is emphasized that exploration target tonnage estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of these targets and it is uncertain if further exploration will result in the estimation of a Mineral Resource.**

An Exploration Work Approval was received in mid-2012 for proposed drilling at Koppio and Kookaburra Gully but due to weather, ground conditions and harvesting, drilling did not start until early January 2013.

The maiden drilling campaign was aimed at testing the strike length and depth extent of the Kookaburra Gully graphite mineralisation to establish Inferred and/or Indicated Resources.

The Exploration Target (\*\*) for the drilling program at Kookaburra Gully, down to a depth of 100m below ground level and for a strike length of 625-700m, was 1.0 million to 3.1 million tonnes at an average grade of 10-15% TGC (SG = 2.2).



*Figure 5: RC aircore drilling at Kookaburra Gully, January 2013*

37 reverse circulation drill holes were successfully drilled over a two week period for a total of 3,900m using a combination of reverse circulation (RC) aircore and slim-hole hammer techniques. Graphite intersections have been sampled and sent off for laboratory analysis of TGC and other elements. Results are expected in about 4 weeks.

### **Graphite Petrology and Metallurgy**

Preliminary metallurgical test work including laboratory scale flotation tests has been undertaken on bulk samples of flake graphite from the Koppio Graphite Mine and Kookaburra Gully deposit. Results from Kookaburra Gully trenches produced a graphite concentrate containing 95.8% TGC with 86% recovery of graphite after a 4-stage flotation test program.

Detailed petrological work by Pontifex and Associates was also completed during the quarter and optical microscopy of polished thin sections highlighted the coarse flake size of graphite at Kookaburra Gully and Koppio (Table 1). The petrological report included visual estimates of abundance, size and distribution of contained opaque graphite and the mineralogy of gangue minerals.

*Table 1: Visual estimates of graphite abundance and flake size at Kookaburra Gully and Koppio*

Sample No.	Prospect	Visual Estimate of volume % abundance	Graphite flake length range 50µm to:	Mean flake length µm	Reported carbon % assay
KP-MS-01	Koppio	25-30	800	350	32.0
KP-MS-02	Koppio	12-15	800	350	14.7
KP-MS-03	Koppio	25	800	400	22.9
KB-MS-01	Kookaburra	25	1500	500	17.6
KB-MS-02	Kookaburra	30	1500	500	28.6



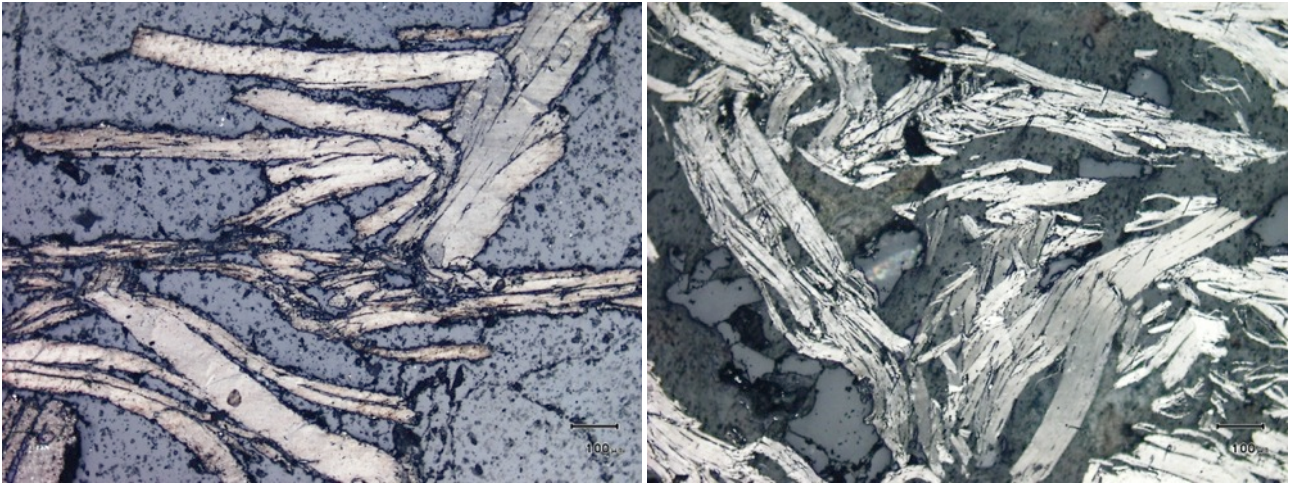


Figure 6: Microphotographs of flake graphite (elongate white to pale grey flakes) from Koppio KP-MS-01 (left) and Kookaburra Gully KB-MS-01 (right) (bar scale in bottom RHS is 100 microns)

### Scoping Study update

In October 2012, Parsons Brinckerhoff ("PB") completed a scoping study for the Kookaburra Gully Graphite Project to establish a conceptual process flow sheet and determine capital and operating costs for mine infrastructure and the process plant.

The Scoping Study contemplated an open cut mining operation producing 200,000 tonnes of graphite ore per annum (tpa) and an on-site processing plant delivering 16,000 tonnes of high grade flake graphite and amorphous graphite (ca. 95% TGC).

In addition to the 200,000 tpa estimates, PB also estimated the increase in costs for a 400,000 tpa operation based on the same process flow sheet. As for the 200,000 tpa estimates, mining and transport costs were not included.

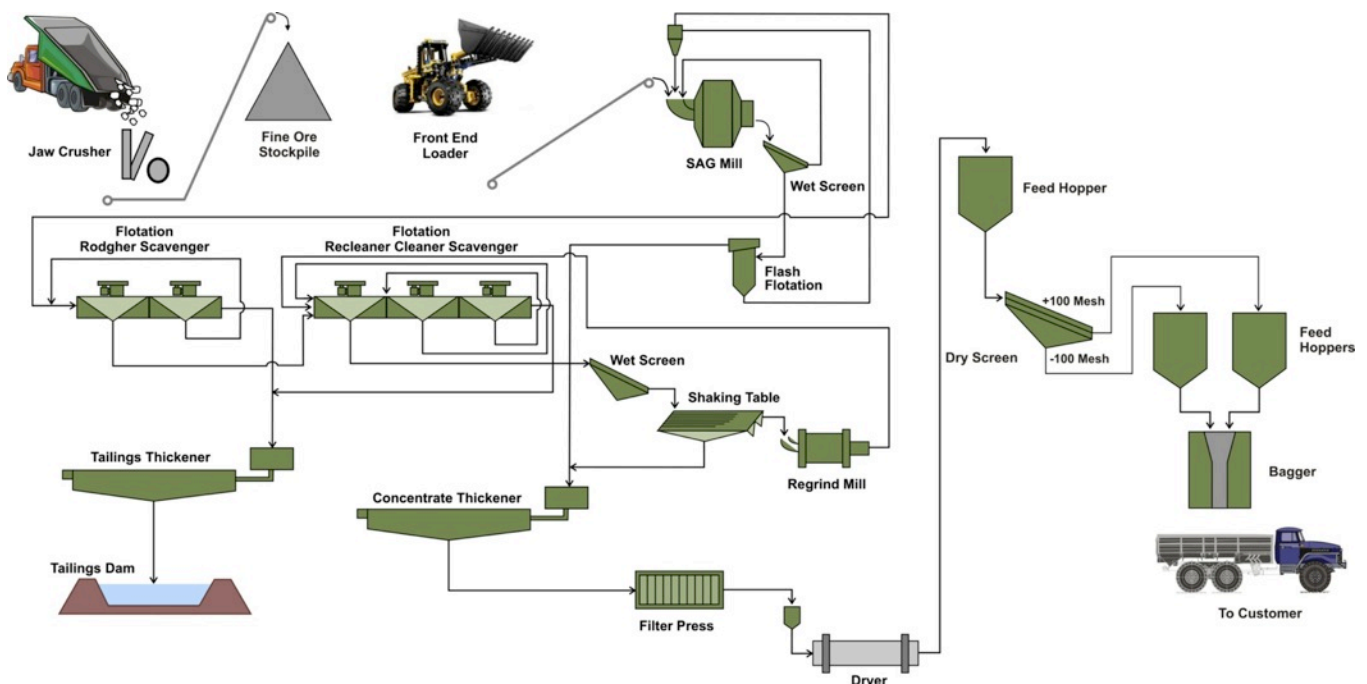


Figure 7: Conceptual graphite processing flow sheet for Kookaburra Gully Project

The following capital cost estimates for the proposed infrastructure components of the project are provided in Australian Dollars (AUD) and are based on rates current as of August 2012.

*Table 2: Capital cost estimate for processing 400,000 tpa compared to 200,000 tpa*

Item	Estimate (\$) 200,000 tpa	Estimate (\$) 400,000 tpa
<b>Kookaburra Gully Graphite Project</b>	<b>\$30,307,300</b>	
Mining	\$380,400	
Process plant	\$22,597,800	
Infrastructure	\$7,329,100	
<b>Total direct costs</b>	<b>\$30,308,100</b>	<b>\$38,800,000</b>
EPCM (15%)	\$4,546,200	\$5,820,000
Common distributables (10%)	\$3,030,800	\$3,880,000
<b>TOTAL CAPITAL COST ESTIMATE</b>	<b>\$37,885,100</b>	<b>\$48,500,000</b>

The operating cost estimates developed for the conceptual Kookaburra Gully process plant outline the operating costs for differing recoveries and availabilities for both the 200,000 tpa and 400,000 tpa scenarios. The costs are in AUD and based on rates current as of August 2012. The Scoping Study process plant design was based on 70% recovery of graphite from feed stock and 85% process plant availability but as noted above, initial metallurgical work from Kookaburra Gully achieved 86% recovery.

*Table 3: Operating cost estimates based on different recovery rates for processing 200,000 tpa and 400,000 tpa of graphite ore. Mining and transport costs are not included.*

Recovery	Availability	\$ / annum	\$ / tonne ore	\$ / tonne concentrate	\$ / tonne concentrate
		200,000 tonnes ore per annum			400,000 tpa
70%	85%	\$9,041,400	\$45.2	\$538.2	\$436.3
80%	85%	\$9,099,900	\$45.5	\$474.0	\$384.8
90%	85%	\$9,158,500	\$45.8	\$424.0	\$344.8

### Environmental Assessment

Ongoing vegetation assessment, species identification and mapping has been undertaken within and surrounding the Kookaburra Gully and Koppio Mine project areas in support of developing a Mining Lease Proposal:

- Numerous vegetation quadrats were mapped and all flora identified.
- Remnant roadside vegetation within and abounding the proposed ML also mapped.
- Data compiled from the Biological Survey of South Australia within an 8 km radius.
- Fauna surveys are ongoing opportunistically alongside flora surveys.

### Campoona Syncline (ELs 4539, 4883, and 5091)

The Cockabidnie-Campoona area is located northwest of Cleve on central Eyre Peninsula and a 400m line-spaced EM survey was flown over most of EL 4883 in July 2012. The new EM data were merged with existing data from ELs 4539 and 5091 and processed data and imagery were received in October.

No interpretation or modeling has yet been undertaken on the Cockabidnie EM data but extensions of Archer Exploration Limited's ("AXE") Campoona Hill and Sugarloaf Hill EM anomalies and Monax Mining Limited's ("MOX") Jamieson Tank EM anomaly extend onto EL 4883.

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Furthermore, there are subtle but significant EM anomalies in the Campoona Syncline area which correspond to graphite intersections in historic drilling by CRA Exploration Pty Ltd in the early 1980's. These graphite intersections were not assayed by CRAE but visual estimates range up to 20% graphite.

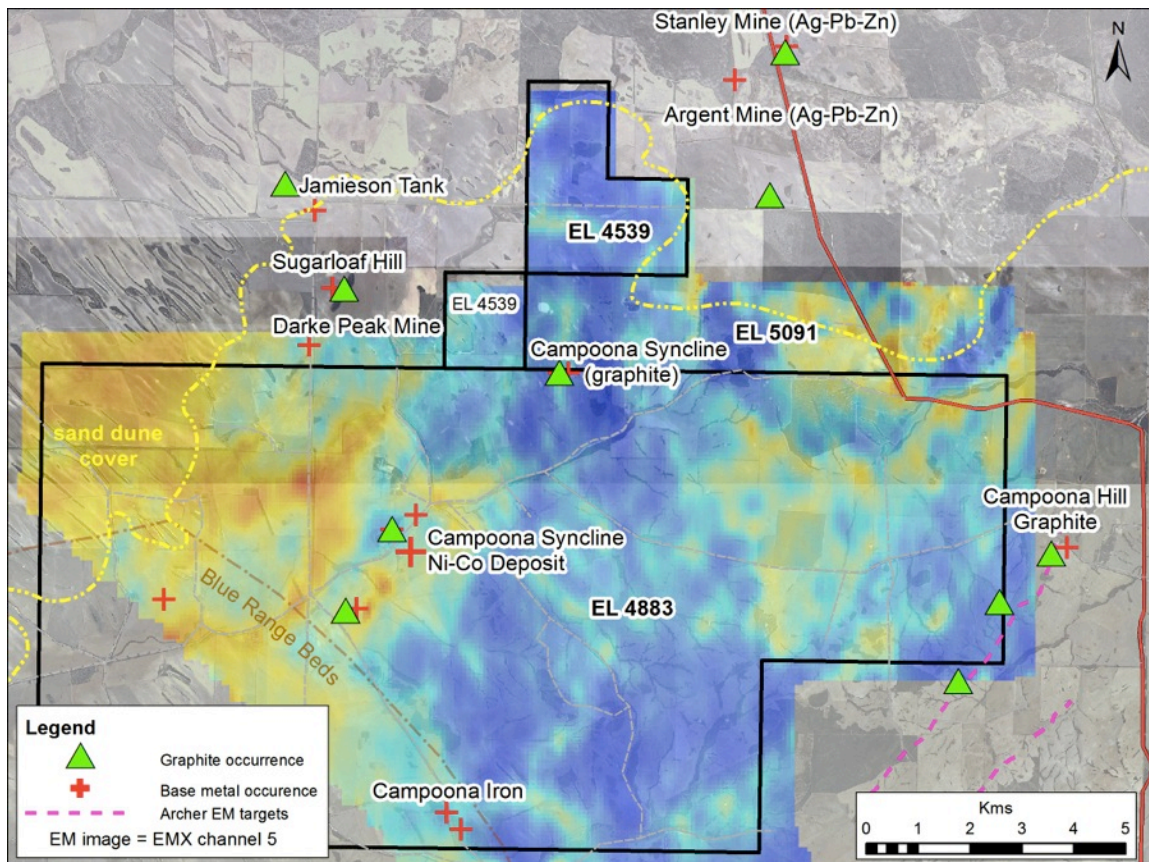


Figure 8: EM anomalies (red-orange-yellow) and graphite potential in ELs 4539, 4883 and 5091. Anomalies in the NW corner are probably partly due to saline groundwater associated with sand dunes.

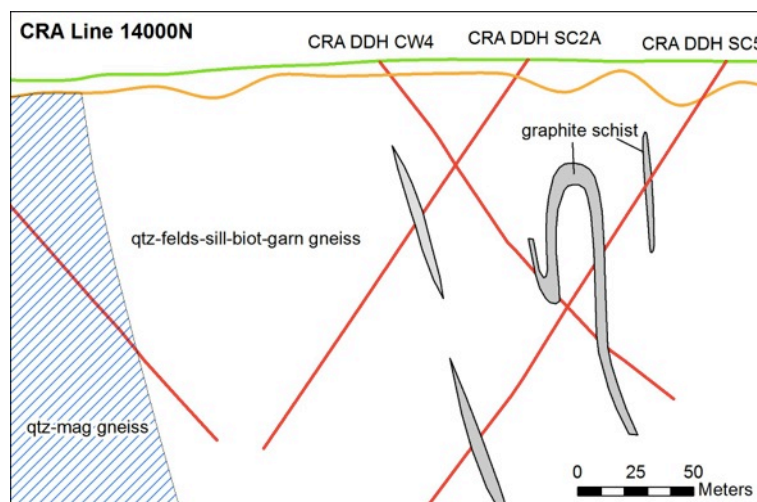


Figure 9: Simplified section of graphite intersections in CRAE drill holes, northern Campoona Syncline.



## Gum Flat Iron Ore Project – EL 4643

(LML has exclusive rights to all minerals)

Lincoln's Gum Flat Iron Ore Project is located on southern Eyre Peninsula which is a major world-class iron ore province 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 or about 120km by road from the proposed new deep water Cape-size port at Port Spencer, midway between Tumby Bay and Port Neill. The latter has recently received State Government development approval.

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

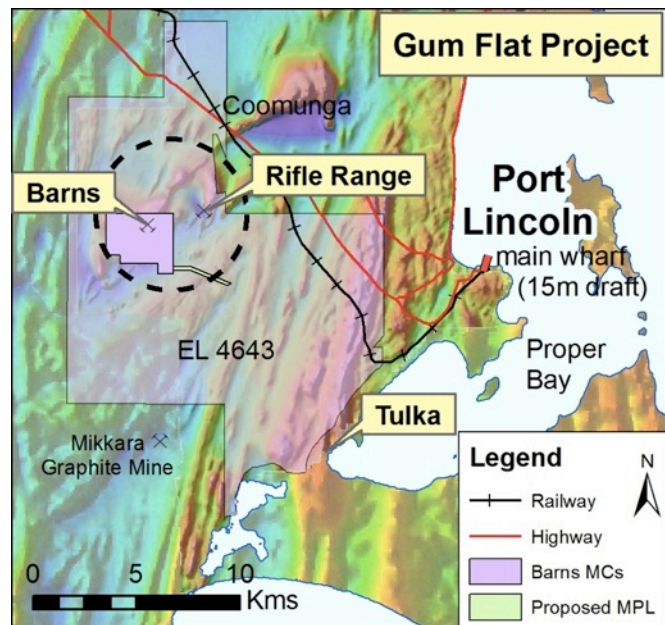


Figure 10: Location of Gum Flat Barns' deposit mineral claims and aeromagnetic targets (reddish-pink areas)

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

The Company is proposing a two-stage development option:

- Stage 1:** Mine and export up to 500,000 tonnes per annum DSO via Port Lincoln including upgrading ~1 Mtpa lower grade (40-55% Fe) hematite-goethite-magnetite to DSO grade over a 3-5 year mine life
- Stage 2:** Mine up to 10 Mtpa magnetite and process onsite to produce up to 2.5 Mtpa high grade concentrate for export via Port Lincoln or potentially Port Spencer, subject to defining additional resources and over a mine life in the order of 20 years.

Planning is currently underway for Stage 1 only.

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.

### Groundwater

Groundwater is a primary concern for the Barns mine plan since the proposed mine site is within the Southern Basins Prescribed Wells Area (SBPWA) used for groundwater extraction by the Eyre Peninsula community from the Quaternary Bridgewater Formation limestone aquifer. The Quaternary Bridgewater Formation at the proposed mine site is not water bearing, therefore mining operations will not directly affect it.

Lincoln Minerals has devoted considerable time and resources to ensure that any proposed mining activities will not have a detrimental or unsustainable affect on the main aquifer system but despite that, the Company's initial application for a groundwater license was refused (refer July-September 2012 Quarterly Report).

Subsequently, the Company lodged an appeal against the decision with the South Australian Environment Resources and Development Court on the basis that in its dual applications for extraction and discharge, the net balance of water proposed to be extracted for the planned new iron mine less the quantity of water proposed to be re-injected back into the aquifer system, was only 330 megalitres per annum.

Following a Conciliation Conference convened by the ERD Court, the Crown Solicitor has provided an indication of the manner in which the formula in Principle 25 of the Water Allocation Plan for the SBPWA is applied. This formula gives credits for re-injection into the same aquifer and would therefore permit additional water above the maximum 435 ML to be extracted in the following year.

On this basis, the Company is working on a revised re-injection plan that it hopes will enable an extraction license to be granted. The revised plan proposes to re-inject excess water back into the same bedrock aquifer rather than into the upper calcarenite aquifer as originally proposed.

### Mining Lease Application

LML's draft Mining Lease Application (MLA) for Stage 1 mining of the Barns DSO deposit at Gum Flat has been completed and was reviewed by the State Government Department for Manufacturing, Industry, Trade, Resources and Energy (DMITRE) in 2011 but is awaiting groundwater licensing before it can be submitted.

Community engagement is ongoing along with more detailed planning and engineering work to optimise mine development.

### Coomunga Bushfire

In late November 2012, a bushfire was started by a lightning strike on Lincoln's Barns property close to the proposed Barns mine site. A total of about 475 hectares of native vegetation across the entire area of Lincoln's Rifle Range iron ore deposit was affected or burnt out by the fire on Lincoln's Barns property and several kilometres of fencing damaged. No damage was incurred to Lincoln's sheds or buildings.

During the fire, Lincoln's entire staff based in the Port Lincoln area assisted the Country Fire Service (CFS) to control the fire. This comprised establishing additional fire breaks, extinguishing spot fires, maintaining water supplies using Lincoln's drilling water truck and monitoring areas burnt out. Staff are to be congratulated for the huge effort they put into fire fighting over very long hours.

Lincoln Minerals also commends the CFS and local neighbouring residents for their untiring efforts and assistance. The Company is proud to have been able to assist and cooperate with the CFS.

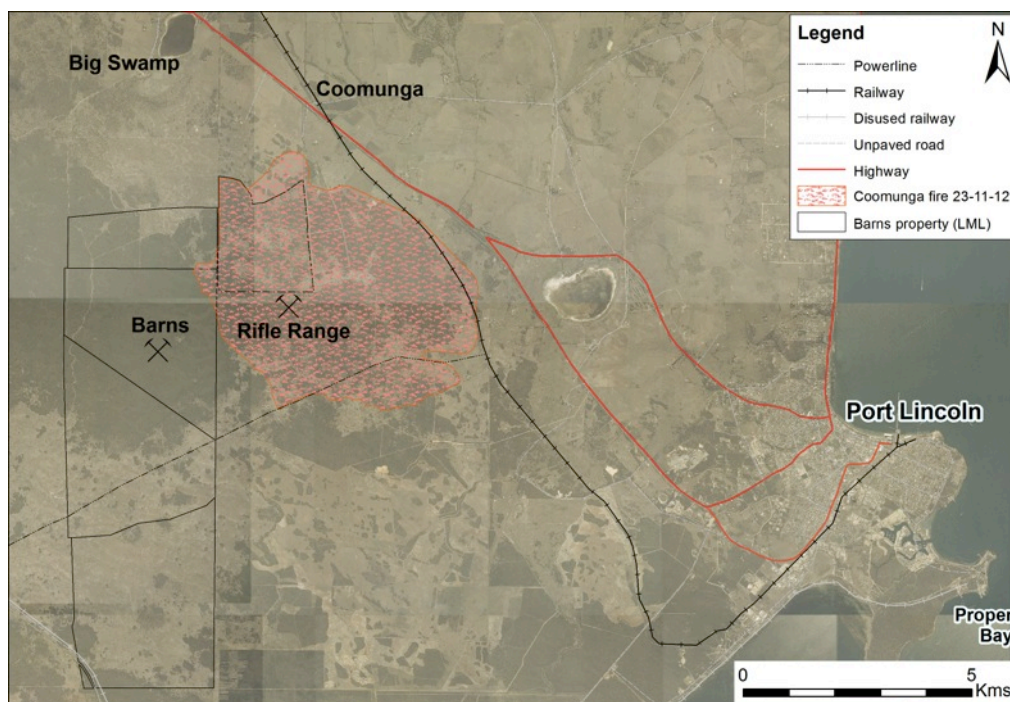


Figure 11: Location of Coomunga bushfire, November 2012.

## Eurilla Project – ELs 5013, 5022, 4093 and 4310

(LML has exclusive rights to all minerals)

The Eurilla Project area is along strike from the Wilcherry Hill (IronClad Mining) magnetite (gold), Hercules iron ore, Menninnie Dam zinc-lead-silver (Terramin) and Paris silver (Investigator Resources) deposits to the northwest and has potential for iron ore, uranium, gold, manganese, silver and base metal mineralisation.

Previous work on the Eurilla Project has identified:

- 21.7 Mt @ 33.3% Fe Inferred Mineral Resource for Eurilla South iron ore
- Uranium mineralisation grading up to 0.07% U along with up to 0.5% base metal (Zn+Pb+Ni+Cu+Co) over a 5 hectare area
- Manganese mineralisation grading up to 66% MnO with associated copper, cobalt and silver
- Multiple areas of anomalous Ag, Au, Cu, Zn and U, with four prospects (Skaro, Mondas, Gallifrey and Sonar Prospects) identified as being prospective for epithermal style mineralisation.
  - Coherent soil Ag values in excess of 50 parts per billion (ppb) and peak values of 81 to 120 ppb, similar to soil geochemical anomalies around the Paris discovery and satellite prospects.
  - Outcropping mineralisation (up to 2.44ppm Ag, 14ppb Au and 2.42% Pb) in crustiform, colloform epithermal quartz veins can be traced over 150m and can be extrapolated into the Skaro prospect.
  - Infill soil-sampling program further defined and thus confirmed the three precious metal ± base metal anomalies

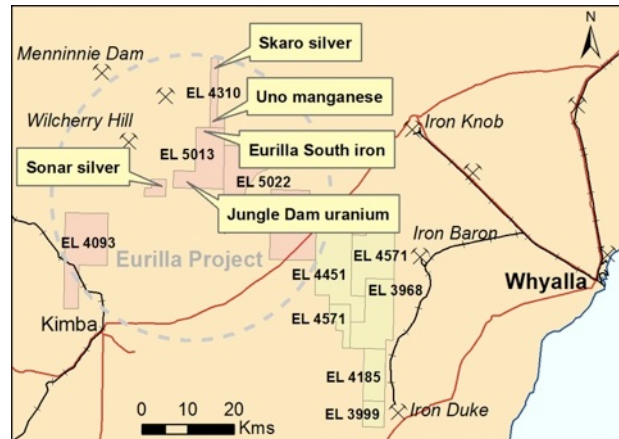


Figure 12: Location of Eurilla Project

Further soil sampling to the west of the infill grid of the Skaro Prospect was undertaken during the quarter to focus on extensions to the ultra anomalous area. Lincoln Minerals is now planning a drilling program to target the infill soil sampling anomalies around the various northern Eyre Peninsula precious and base metals prospects.

Lincoln Minerals was a successful applicant for a South Australian Government PACE grant of up to \$50,000 to co-fund the proposed drilling on a dollar-for-dollar basis on Uno and other manganese prospects.

The Uno prospect is a 650m long, medium to high-grade (up to 51% Mn) manganese-iron breccia system discovered by Lincoln Minerals in 2011. Soil sampling around the Uno prospect demonstrates the precious and base metals potential with samples returning anomalous Ag, Co, and Cu results.

## Other Projects

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

*Information in this report that relates to exploration activity and results, mineral resources and exploration targets 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.*



## CORPORATE

At 31 December 2012, the Company had approximately \$1.4 million cash.

In November 2012 with the assistance of its underwriter, Tigermoth Investments Limited, and existing shareholders, Lincoln Minerals successfully completed a non-renounceable Rights Issue at an issue price of A\$0.07 per ordinary share, to raise approximately A\$1.34 million (before expenses of the issue).

The Board of Lincoln Minerals Limited is pleased to announce the appointment of Mr Kwang Hou Hung to the position of Non-Executive Deputy Chairman. Mr Hung qualified as a Chartered Accountant with KPMG, United Kingdom in 1982 and is a member of both the Institute of Chartered Accountants in England and Wales ("ICAEW") and the Malaysian Institute of Accountants. He is a major shareholder of LML, has extensive contacts in India and Asia and will assist the Company in establishing corporate connections and transactions with companies and investors in the Asian region.

The Company is maintaining an ongoing lookout for corporate opportunities in the way of potential off-take agreements for its proposed future iron ore production, direct investment agreements to fund mine and/or project development, joint venture agreements for iron ore, graphite and/or copper and base metals, and additional exploration or development projects.

In November 2012, Lincoln Minerals approved to issue up to 1,000,000 performance rights to the Managing Director. Entitlement to the performance rights is subject to the Company's share price at 30 September 2013.

A new EL, EL 5091, was granted during the period as a replacement for former EL 3884 that had reached its initial 5-year tenure.

### Board and Management

<b>Richard V. Ryan AO</b>	Chairman (Non-Executive)
<b>Kwang Hou Hung</b>	Deputy Chairman (Non-Executive)
<b>Dr A John Parker</b>	Managing Director
<b>Robert A. Althoff</b>	Director (Non-Executive)
<b>Eng Hoe Lim</b>	Director (Non-Executive)
<b>Ms Sze Wan Chan</b>	Director (Non-Executive)
<b>Jarek Kopias</b>	Company Secretary
<b>Dwayne Povey</b>	Chief Geologist

### Securities on Issue

<b>Shares at 31 December 2012</b>	<b>172,534,468</b>
Performance Rights (subject to share price at 30 Sept 2013)	1,000,000

### Tenements at 31 December 2012

Tenements	Exclusive Rights	Area (sq km)
12	All minerals	2,801
16	All minerals except iron ore	1,875
	<b>TOTAL</b>	<b>4,676</b>