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The Manager
ASX Announcements

\$2m Eyre Peninsula pilot graphite plant by year's end for first global product testing: scoping study backing

Highlights

- Completed scoping study backs construction of \$1.94 million graphite pilot plant by year's end at world-class Kookaburra Gully project on SA's Eyre Peninsula
- Proposed pilot plant capable of producing 2.26 tonnes of graphite concentrate a day within 24 weeks of construction commencing
- Trial graphite production will allow project development and early product assessment by potential domestic and international customers
- Estimated operating costs for a full scale processing plant have been reduced and product output increased due to the higher grade Indicated Mineral Resource
- Based on utilising Kookaburra Gully's Indicated and Inferred Mineral Resources of 2.25 million tonnes grading 15.0% TGC with 338,000 tonnes of contained graphite at a cut-off grade of 5% TGC (JORC Code 2004).

TGC = Total Graphitic Carbon

"Completion of the scoping study for a pilot graphite production plant puts Lincoln another step closer to mainstream commercial output from our world class flake graphite resources on Eyre Peninsula. Lincoln is aiming to have trial processed graphite samples ready and waiting for customer qualification later this year or early 2014, subject to finance and approvals for the pilot plant's construction."

(Lincoln Managing Director, Dr John Parker)

Lincoln Minerals Limited ("LML") is pleased to announce it has completed a full scale and supportive Scoping Study on developing a Pilot Plant to produce for customer assessment, product from its Indicated and Inferred Mineral Resources at the wholly owned Kookaburra Gully graphite project on South Australia's Eyre Peninsula.

Pilot Plant Summary

The Pilot Plant Scoping Study was prepared by David Salari (P.Eng.) of D.E.N.M. (Engineering) Ltd and examined the development of a pilot graphite processing plant on southern Eyre Peninsula. D.E.N.M. was previously involved in engineering design and planning for a proposed rebuild and upgrade of the existing 20 tonnes per hour process plant at Uley Graphite Mine.

The supported design of a modular graphite pilot plant for the Kookaburra Gully Project has an operating throughput of up to two (2) metric tonnes of feed material per hour to produce a range of graphite concentrate products at a rate of 0.283 metric tonnes of product per hour (2.26 tonnes per 8-

hour shift). The pilot processing system features crushing, screening, milling, flotation and dewatering circuits across primary, secondary and tertiary stages of processing. All ancillary equipment has been addressed and includes power generation, electrical components including lighting, internal piping, a water distribution system and flotation reagent distribution.

The modular construction of the **pilot plant anticipates construction on three (3) semi-trailer size platforms**, T1 to T3 (*Figure 1*), which could be easily mobilised from Adelaide and demobilised following completion of pilot plant processing trials.

This **mobile system will minimise total project time and cost** by maximising the amount of construction work completed under a controlled environment (Adelaide) and minimising installation and commissioning time at the proposed Kookaburra Gully processing site. The mobile system is designed as a “plug and play” facility.

This mobile pilot plant will allow Lincoln to process run-of-mine material to test and confirm metallurgical characteristics of the feed material for an optimal final process flow sheet. It will also produce a final graphite concentrate product and sufficient sample quantities for market and customer consideration in Australia and internationally.

The Pilot Plant Scoping Study includes the process design criteria, capital cost summary, equipment details and the mobile process flow diagram. The previous study “Kookaburra Gully Graphite Project – Infrastructure Scoping Study October 2012 – Parsons Brinkerhoff” was utilised as a reference for the pilot plant determinations. Adjustments were required to allow for the smaller pilot size equipment in terms of feed size to the plant.

The Pilot Plant Scoping Study has been prepared to provide Lincoln with cost estimates for the immediate engineering, design, procurement, construction and management (EPCM) of the completed delivery of a pilot plant within a project conservative timetable from start to finish of 24 weeks. The Pilot Plant Scoping Study addressed the following components in providing estimates:

- Primary processing plant (initial crushing and washing of ore)
- Secondary processing plant (secondary milling and flotation of ore)
- Tertiary processing plant (regrinding, flotation, screening and drying of concentrate for bagging)
- Pilot plant construction, mobilisation and commissioning
- Master control circuit (MCC) and electrical systems including power supply.

Capital Cost Estimate

The following capital cost estimate to a Class B level of accuracy has been provided for the pilot plant. The costs are provided in Australian Dollars (AUD) and are based on costs and rates current as of April 2013.

Table 1: Pilot Plant Capital Cost Estimate

| 2 MTPH Mobile Pilot Plant | \$AUD |
|--|--------------------|
| Process Plant & Equipment Purchase and Construction Direct Costs | \$1,467,000 |
| Indirect Costs: EPCM, Procurement & Shipping | \$150,000 |
| Project Capital Costs | \$1,617,000 |
| Contingency (+/- 20%) | \$323,400 |
| Total Capital Costs | \$1,940,400 |

MTPA = Metric Tonnes Per Hour

Subject to finance and approvals, it is anticipated that the Company will progress the development and delivery of the pilot plant during 2013. The pilot plant will refine the process methodology and consequent engineering design of the full scale processing plant and produce a saleable graphite concentrate. That graphite concentrate will enable the Company to identify clear flake graphite product ranges and engage in early qualification and discussions with global customers.

Full Scale Processing Plant – Revised Operating Costs

On 19 September 2012, Lincoln Minerals announced the completion of a Scoping Study for its Koppio-Kookaburra Gully graphite project on South Australia’s Eyre Peninsula. The Scoping Study focused on the Kookaburra Gully prospect following the successful completion of an airborne

electromagnetic (EM) survey over the area in July 2012. The Kookaburra Gully prospect was the subject of a drilling campaign during January 2013 and on 26 March 2013, the Company announced an Indicated and Inferred Mineral Resource of 2.25 million tonnes grading 15.0% TGC with 338,000 tonnes of contained graphite at a cut-off grade of 5% TGC (see Table 3 below).

The original Scoping Study contemplated an open cut mining operation producing 200,000 tonnes of graphite mineralised rock per annum and an on-site processing plant. The scope of work for the full scale Scoping Study included the development of preliminary designs and cost estimates for the processing plant but excluded analysis and assessment of the projected mining and transport costs. However, the estimates used in the Scoping Study compared very favourably with recent estimates for graphite operations in Canada. The capital (Capex) and operating (Opex) cost estimates contained in the Scoping Study, as well as the process flow design, will be re-examined by the Company in light of the pilot plant processing program and anticipated refinement to the rates of recovery.

In the meantime, the Opex estimates have been reviewed to take into account the effect of the potential increased feed grade from 12% TGC to 14.3% TGC as identified in the Indicated Mineral Resource. The revised Opex estimates are listed below in Table 2.

Table 2: Revised operating cost estimates for Kookaburra Gully Prospect based on various conceptual mining and recovery scenarios

| Nameplate Capacity @ 85% Availability | Base Case 200,000 tpa | | 300,000 tpa | | 400,000 tpa | |
|--|-----------------------|------------|-------------|------------|-------------|------------|
| Process plant CAPEX | \$24.7M | | \$29.6M | | \$34.0M | |
| Total infrastructure CAPEX | \$37.9M | | \$42.9M | | \$48.5M | |
| Recovery | Conc. tpa | \$/t Conc. | Conc. tpa | \$/t Conc. | Conc. tpa | \$/t Conc. |
| 70% | 20,020 | 456 | 30,030 | 404 | 40,040 | 370 |
| 80% | 22,880 | 402 | 34,320 | 357 | 45,760 | 327 |
| 90% | 25,740 | 360 | 38,610 | 320 | 51,480 | 293 |
| 94% | 26,884 | 345 | 40,326 | 307 | 53,768 | 282 |

It should be noted that, primarily due to scale, operating costs for a pilot plant will be greater than for a full-scale processing plant as outlined above.

Background

High grade graphite Indicated and Inferred Mineral Resources (JORC Code 2004) for the Company's wholly-owned and world-class Kookaburra Gully graphite project on South Australia's Eyre Peninsula were released on 26 March 2013. The combined resource identified 2.25Mt at an average grade of 15% TGC with 338,000 tonnes of contained graphite at a cut-off grade of 5% TGC (Table 3).

The Kookaburra Gully prospect is located approximately 35km north of Port Lincoln. Previous exploration by Pancontinental Mining in the early-mid 1980s combined with check sampling last year by Lincoln, outlined high grade flake graphite grading up to 12m at 20.5% total graphitic carbon (TGC) in trenches over a strike length in excess of 550m. Petrological studies highlighted coarse flake size up to 1.5mm.

In January this year, 37 aircore and slim-hole Reverse Circulation drillholes were completed at Kookaburra Gully for a total of 3,904m. Assay results ranged up to 39.7% TGC (KK024: 22-23m) in a 17m interval averaging 21.73% TGC (refer ASX announcement 19 February 2013). The assay results of that drilling program were processed and modelled to establish the Inferred and Indicated Mineral Resources shown below in Table 3.

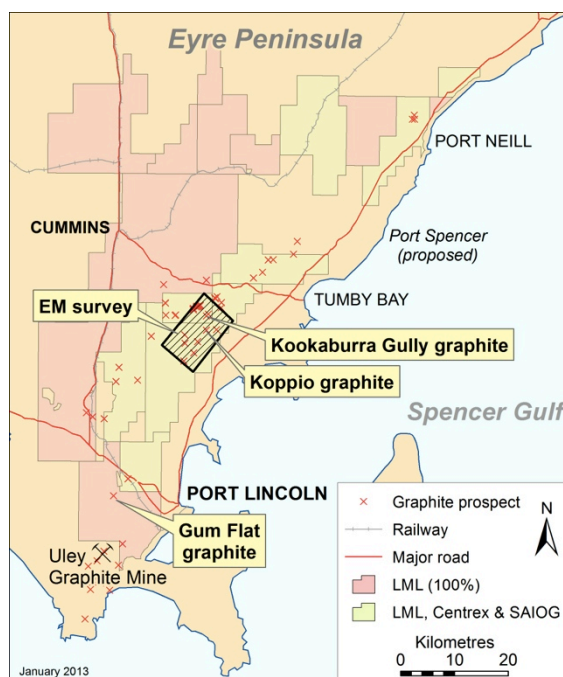


Table 3. Kookaburra Gully Mineral Resource at 5% TGC lower cut-off grade

| Mineral Resource Classification | Tonnage (Mt) | Average Grade (% TGC) | Contained Graphite (tonnes) | Density (g/cc) |
|---------------------------------|--------------|-----------------------|-----------------------------|----------------|
| Indicated | 1.56 | 14.3 | 223,000 | 2.56 |
| Inferred | 0.70 | 16.5 | 115,000 | 2.48 |
| TOTAL (>5% TGC) | 2.25 | 15.0 | 338,000 | 2.53 |

Mt = million tonnes TGC = Total Graphitic Carbon

NB numbers do not necessarily add up exactly due to rounding of significant figures

Excluding Sri Lankan vein deposits and Chinese deposits, the Kookaburra Gully prospect ranks within the top ten graphite deposits in the world in terms of the average grade of its in-situ graphitic carbon content.

The Company also retains and is pursuing a range of Exploration Targets** as it develops the project at Kookaburra Gully. Those Exploration Targets (refer ASX Announcement 19 September 2012) identified from the EM Surveys are summarised in Table 4 below.

Table 4: Koppio-Kookaburra Gully region Exploration Targets

| Prospect | EM Strike Length (m) | Thickness (m) | Lower Estimate | Upper Estimate | Grade Estimate |
|--|----------------------|---------------|----------------|----------------|----------------|
| Koppio Mine | 500 | 7-15 | 0.4 Mt | 1.6 Mt | 10-15% |
| Kookaburra Gully (including the JORC Code compliant Indicated & Inferred Resources) | 4500 | 15-20 | 7.4 Mt | 19.8 Mt | 10-15% |
| Glendara | 1000 | 15-20 | 1.6 Mt | 4.4 Mt | 7-15% |
| Yellow Gums | 1400 | 15-20 | 2.3 Mt | 6.2 Mt | 7-15% |
| Pernella | 1200 | 7-15 | 0.9 Mt | 4.0 Mt | 7-15% |
| Others | ~2000 | 7-15 | 1.5 Mt | 6.6 Mt | 7-15% |
| Total | | | 14.2 Mt | 42.6 Mt | 7-15% |

***It is emphasised that exploration target tonnage estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of those targets (other than for the Kookaburra Gully Indicated and Inferred Resources) and it is uncertain if further exploration will result in the estimation of a Mineral Resource from these further exploration targets.*

Dr A John Parker
Managing Director

Competent Person's Report

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 and is Managing Director of Lincoln Minerals Limited. Dr Parker has sufficient experience relevant to the style 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.

