

Quarterly Activities Report

December 2015

22 January 2016

Key Points

Advancing key Graphite Projects on South Australia's Eyre Peninsula

- **Lincoln's proposed flagship Kookaburra Gully Graphite Mine receives green light from Commonwealth Government** Department of the Environment – it is **not a controlled action** if undertaken in a particular manner
- **Completed the Response Document for Government and public submissions on the Kookaburra Gully Mining Lease Proposal** and lodged with the SA Department of State Development
- Flora and fauna survey conducted along the proposed Kookaburra Gully Project transport and pipeline routes
- Targeting graphite production of more than 30,000 tonnes per annum from Kookaburra Gully and sales of high purity (>93% TGC) concentrate beginning in 2016
- The sale of Lincoln's former Barns Estate property has been completed and proceeds banked.
- Significant cash injection from Barns Estate property sale will ensure that Lincoln is adequately funded over the next 6 months while the Company pursues final approvals for its Kookaburra Gully Graphite Project.

Timetable to graphite mining in SA

The Kookaburra Gully Mineral Lease Application (MLA) lodged in February 2015 was a key milestone for Lincoln Minerals. A further major development was the decision by the Commonwealth Government Department of the Environment on 23 December 2015 that the proposed graphite mine **is not a controlled action** if undertaken in a particular manner.

The Mining Lease Proposal (MLP) was released by the SA Department of State Development (DSD) for public comment in September-October 2015. A Response Document was finalised by Lincoln in December 2015 and lodged with DSD on 4 January 2016. This will enable DSD to complete assessment of Lincoln's graphite mine proposal prior to final consideration by the South Australian Government. Subject to the Government assessment process, it is anticipated that a mining lease could be offered during the first quarter of 2016.

These achievements and expected future developments position Lincoln, for the first time in the Company's history, with **a firm and near-term horizon to achieve the transition from explorer to graphite miner**. Importantly, the MLA coincides with continuing positive Australian and global equity market interest in graphite and spherical graphite for batteries.

Pilot plant processing, finalisation of mine and processing plant design, and preparation of a Program for Environmental Protection and Rehabilitation (PEPR) are scheduled for the first half of calendar 2016. Subject to project financing, State Government approval of the PEPR and other statutory approvals, commencement of mining and process plant construction could begin in the fourth quarter of 2016 or early 2017.

Kookaburra Gully is one of Australia's and the world's premier graphite deposits and Lincoln Minerals and its 100%-owned subsidiary, Australian Graphite Pty Ltd (AGL), aim to take the project to critical development and commercialisation milestones in 2016.

**LINCOLN
MINERALS**

Suite 4, Level 7
350 Collins Street
MELBOURNE VIC 3000

Phone: +61 3 9600 0782
Facsimile: +61 3 9600 0783

Website: www.lincolnminerals.com.au
Email: info@lincolnminerals.com.au

EXPLORATION & DEVELOPMENT PROGRESS DURING THE QUARTER

Proposed Kookaburra Gully Graphite Mine (SA's Eyre Peninsula)

(LML and its 100%-owned subsidiary, Australian Graphite Pty Ltd (AGL), have exclusive rights to graphite on all tenements)

On 26 February 2015, Lincoln Minerals, through its wholly-owned subsidiary, Australian Graphite Pty Ltd (AGL), lodged a Mineral Lease Application (MLA) to develop a graphite mine at AGL's wholly-owned Kookaburra Gully project on South Australia's Eyre Peninsula.

On 17 September 2015, Kookaburra Gully's graphite Mining Lease Proposal (MLP) was made available for public comment by the South Australian Department of State Development (DSD).

The MLP was open for public submissions until 29 October 2015.

Following receipt of public and Government submissions, Lincoln/AGL prepared a Response Document for DSD to use in conjunction with the MLP for assessment of AGL's Mineral Lease Application.

Lodgement of the Response Document was a key milestone for Kookaburra Gully and Lincoln Minerals. It means the backbone of work needed to elevate this project from exploration and assessment through to where we believe it can now be a viable new mining operation in Australia's graphite sector, has been realised.

A smooth approvals process by DSD should position Lincoln to achieve its objective of securing a Mineral Lease for Kookaburra Gully early in 2016.

It is the benchmark from which Lincoln can now springboard real-time project financing, detailed design and engineering, development, and off-take negotiations and agreements.

The Kookaburra Gully graphite project is located 35 kilometres north of Port Lincoln on South Australia's Eyre Peninsula.

The MLP is for a conventional open pit mining operation with associated processing plant to upgrade graphite mineralisation into high grade graphite concentrate at a target rate of ~30,000-40,000 tonnes per annum. Kookaburra Gully is one of Australia's premier graphite deposits with total current Indicated and Inferred Mineral Resources of 2.20 million tonnes grading an average 15.1% TGC (Total Graphitic Carbon) (*Lincoln Minerals Limited, ASX release 19 December 2013*). Metallurgical tests have shown that the deposit can produce a range of flake graphite products from very fine (<75 microns) to large flake (>176 microns) at concentrate grades from 93% to 98% TGC.

The **Kookaburra Gully graphite deposit ranks in the world's Top 10** graphite deposits based on grade and is close to established infrastructure such as water, electricity and an export port 35kms away.

AGL owns the graphite mineral rights over a number of LML and Centrex Metals-SA Iron Ore Group (CXM-SAIOG) Exploration Licenses (see the Tenement schedule at the end of this report) and there is considerable potential for further significant graphite discoveries on Eyre Peninsula. Lincoln is planning an exploration drilling program over its large Kookaburra Gully Extended graphite targets and has been offered a SA Government PACE grant for this drilling program. Drilling is scheduled for March-April 2016.

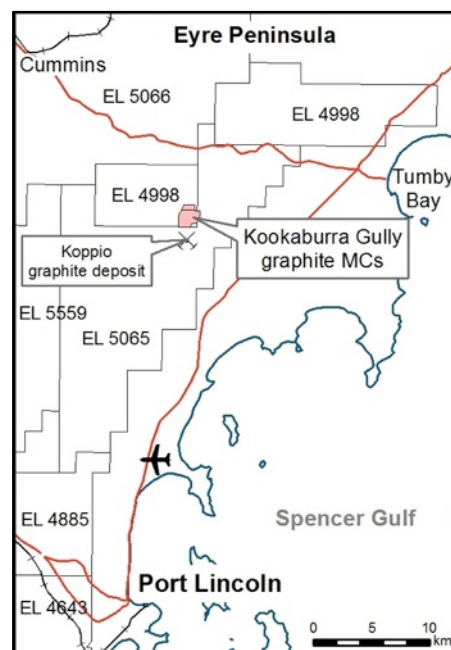


Figure 1: location of AGL's Kookaburra Gully Graphite Project and Koppio graphite deposit

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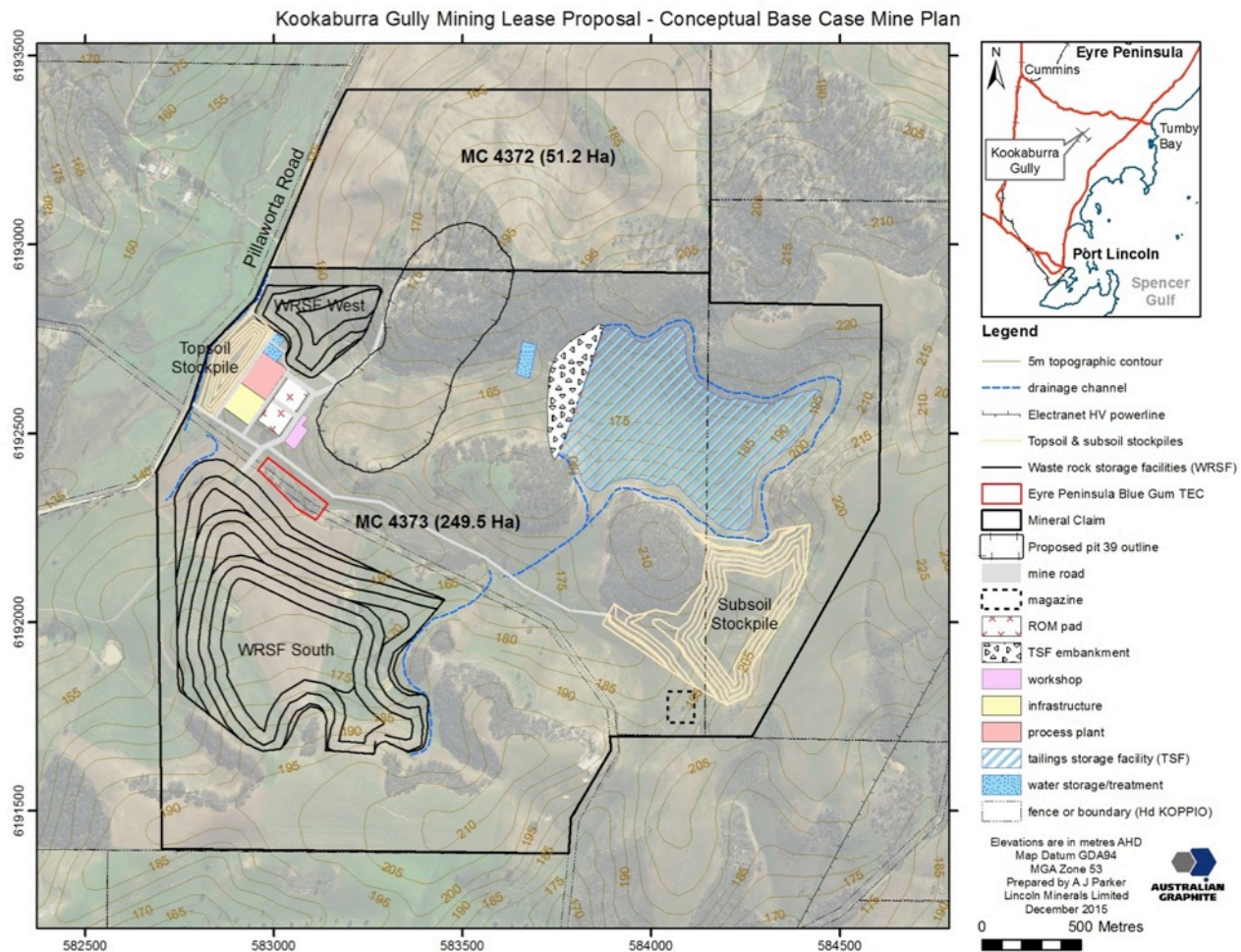


Figure 2: Location of proposed Kookaburra Gully mine plan

For further information regarding the Mining Lease Proposal, please refer to the September 2015 Community Information Update No. 4 which is available on the Company website www.lincolnminerals.com.au.

EPBC Referral for Kookaburra Gully

As part of its detailed independent expert environmental studies at Kookaburra Gully, AGL identified flora and fauna of National Environmental Significance under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) that might be impacted by the Company's proposed mining and associated activities. Consequently a detailed EPBC Referral outlining environmental aspects of the area and potential flora and fauna impacts was prepared and lodged with the Commonwealth Department of the Environment in April 2015.

On 23 December 2015, the Commonwealth Government Department of the Environment ruled that under sections 75 and 77A of the *Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)*, Lincoln's proposal to develop, operate and decommission its open-cut Kookaburra Gully graphite mine, 35 kilometres north of Port Lincoln, **is not a controlled action** if undertaken in a particular manner (EPBC referral 2015/7470).

This means the proposed mine does not require further Federal assessment and approval under the EPBC Act before it can proceed. This is an important and positive decision for Lincoln and paves the way for final assessment of AGL's mining lease proposal.

Under the Commonwealth EPBC ruling, AGL must ensure that:

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- No clearance of Eyre Peninsula Blue Gum (*Eucalyptus petiolaris*) Woodland occurs as a result of the proposed action;
- A fence and signage is to be erected around the Eyre Peninsula Blue Gum Woodland at a distance of at least 5 metres from the identified Threatened Ecological Community (TEC as illustrated on Figure 2) prior to construction;
- There is a minimum 20 metre buffer between construction and Eyre Peninsula Blue Gum Woodland; and
- Clearance on the proposed mine site is consistent with AGL's mine plan (Figure 2).

These matters are consistent with Lincoln's approach to developing Kookaburra Gully and would not impinge on the proposed development. The protection of the Eyre Peninsula Blue Gum and other endangered or threatened species in the region and along transport routes has been and remains a priority for the Company.

MLP Response Document

Following release of AGL's MLP for public review and comment, twenty five (25) public submissions were received from DSD in mid-November 2015 along with submissions from other State Government departments. Lincoln/AGL, with the support of various third party consultants, responded to matters raised in these submissions that either required clarification and/or additional information. This included an additional flora and fauna survey along Kookaburra Gully's proposed transport and pipeline routes and further groundwater modelling.

A Response Document was finalised in December 2015 and lodged with DSD on 4 January 2016. This will enable DSD to undertake a comprehensive assessment of the Kookaburra Gully mining lease proposal prior to final consideration by the South Australian Government. Subject to the Government assessment process, it is anticipated that a mining lease could be offered during the current quarter.

Warden's Court

Following complaints lodged by landowners at the northern end of the Kookaburra Gully deposit (MC 4372), Lincoln/AGL has been involved in SA Warden's Court proceedings to resolve the matters raised.

A Conciliation Conference was scheduled in October 2015 by Warden Cannon to facilitate an access and compensation agreement between the parties and to negotiate a waiver of the benefit of any exempt land status. An agreement was negotiated and agreed to by all parties and is currently being completed ready for signing.

Other SA Projects

Due to the Company focus on the Kookaburra Gully graphite deposit, no significant exploration or development work 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, 2012. Dr Parker consents to the release of the information compiled in this report in the form and context in which it appears.

Information extracted from previously published reports (Lincoln Minerals Limited, ASX release on 19 December 2013) identified in this report is available to view on the Company's website www.lincolnminerals.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

This report contains forward looking statements that involve estimates based on specific assumptions and statements by third parties. Actual events and results may differ materially from those described in these statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on LML's beliefs, opinions and estimates as of the date the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

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CORPORATE

At 31 December 2015, Lincoln had approximately A\$0.97 million in cash at bank. Exploration and evaluation expenditure by the Company during the December 2015 quarter was A\$287,000.

During the December Quarter, Lincoln sold its Barns Estate property located near Coomunga, 20 kilometres west of Port Lincoln. The sale was completed in December 2015 and proceeds banked. This significant cash injection will ensure that Lincoln is adequately funded over the next 6 months while the Company pursues a mining lease for its flagship Kookaburra Gully Graphite Project.

The Company acquired the land in late 2010 as part of a deceased estate for future development of its iron ore Mineral Resources. Lincoln utilised the property as its field base for storage of field equipment and drill samples. As part of the contract of sale, Lincoln will continue to lease the sheds and storage areas for the next 12 months. The sale of the land does not in any way prevent Lincoln from accessing the area for ongoing exploration or future development of its iron ore Mineral Resources should iron ore prices improve.

Board and Management

Yubo Jin Chairman (Non-Executive)

Dr A John Parker Managing Director

Eddie Lung Yiu Pang Director (Non-Executive)

Jarek Kopias Company Secretary / CFO

Dwayne Povey Chief Geologist

Securities on Issue

Shares at 31 December 2015

268,386,949

Tenements

During the quarter, Lincoln Minerals, the South Australian Iron Ore Group Pty Ltd (SAIOG) and Centrex Metals Limited (CXM) allowed one Exploration Licence (EL) to expire.

As per Lincoln's agreement with CXM and SAIOG and due to rising expenditure commitments, Lincoln gave its consent to CXM to allow Gilles Downs EL 4571 to expire on 4 October 2015.

Following this reduction, the Company now holds exploration rights to South Australian lease holdings totalling 3,186 square kilometres, a reduction of 3.5% from the previous quarter.

EL renewals or subsequent ELs have been applied for on EL 4605 (in full), EL 4643 (38.5% reduction), EL 4815 (24.7% reduction), EL 5066 (in full – area was reduced in previous quarter) and EL 5021 (in full).

The status of all ELs as at 20 January 2016 including SAIOG and CXM ELs is shown in the following table and map.

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Tenement List

Tenement	Expiry	Area (km ²)	Locality	Licensee	Graphite Rights	Iron Ore Rights	Other Mineral Rights
LINCOLN MINERALS (AND AGL) HAS OWNERSHIP OF ALL MINERAL RIGHTS							
EL 5013	28-Jan-17	98	Eurilla (Lake Gilles)	LML	LML 100%	LML 100%	LML 100%
EL 5066	12-Feb-16	589	Wanilla	LML	AGL 100%	LML 100%	LML 100%
EL 5021	11-Feb-16	162	Cummins	LML	AGL 100%	LML 100%	LML 100%
EL 5091	5-Aug-16	17	Campoona	LML	AGL 100%	LML 100%	LML 100%
EL 5297	2-Mar-18	147	Moseley Nobs	LML	LML 100%	LML 100%	LML 100%
EL 5523	28-Sep-16	26	Uno	LML	LML 100%	LML 100%	LML 100%
EL 5556	3-Nov-16	82	Dutton River	LML	AGL 100%	LML 100%	LML 100%
EL 4643	6-Jan-16	208	Gum Flat	LML	AGL 100%	LML 100%	LML 100%
EL 4815	20-Dec-15	372	Nantuma	LML	LML 100%	LML 100%	LML 100%
EL 5427	18-Jun-16	18	Sleaford Mere	LML	LML 100%	LML 100%	LML 100%
MC 4372	NA *	51 Ha	Kookaburra Gully	AGL	AGL 100%	0%	LML 100%
MC4373	NA *	249 Ha	Kookaburra Gully	AGL	AGL 100%	0%	LML 100%
Subtotal		1,722					
LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE **							
EL 4884	13-Aug-16	117	Minbrie	CXM	LML 100%	0%	LML 100%
EL 4885	13-Aug-16	76	Greenpatch	CXM	AGL 100%	0%	LML 100%
EL 4998	11-Apr-16	272	Tumby Bay (Carrow)	SAIOG	AGL 100%	0%	LML 100%
EL 5065	05-Aug-17	465	Mount Hill (Tod River)	SAIOG	AGL 100%	0%	LML 100%
EL 5170	04-Nov-17	106	Kimba Gap	SAIOG	LML 100%	0%	LML 100%
EL 4384	15-Nov-16	138	Wanilla (Bald Hill)	CXM	AGL 100%	0%	LML 100%
EL 5617	14-Mar-17	155	Stony Hill	SAIOG	LML 100%	0%	LML 100%
EL 5641	18-Apr-17	104	Tooligie Hill (Wilgerup)	CXM	LML 100%	0%	LML 100%
EL 4605	16-Nov-15	31	Dutton Bay	CXM	AGL 100%	0%	LML 100%
MC 4378 ***	16-Apr-16	NA	Kimba Gap	KGIP	AGL 100%	0%	LML 100%
Subtotal		1,467					
Grand total		3,186					

* MCs 4372 and 4373 had an expiry date of 6 November 2015 for lodging of a Mining Lease Application. This was completed on 26 February 2015 so the expiry date is no longer applicable.

** On all CXM/SAIOG tenements + MCs 4372 & 4373, LML and its wholly owned subsidiary, Australian Graphite Limited (AGL), have 100% of the rights to all minerals except iron.

*** On MC 4378 (KGIP = Kimba Gap Iron Project Pty Ltd), LML's rights only extend to that part overlying EL 5170

CXM = Centrex Metals Limited SAIOG = South Australian Iron Ore Group Pty Ltd, a wholly owned subsidiary of Centrex Metals

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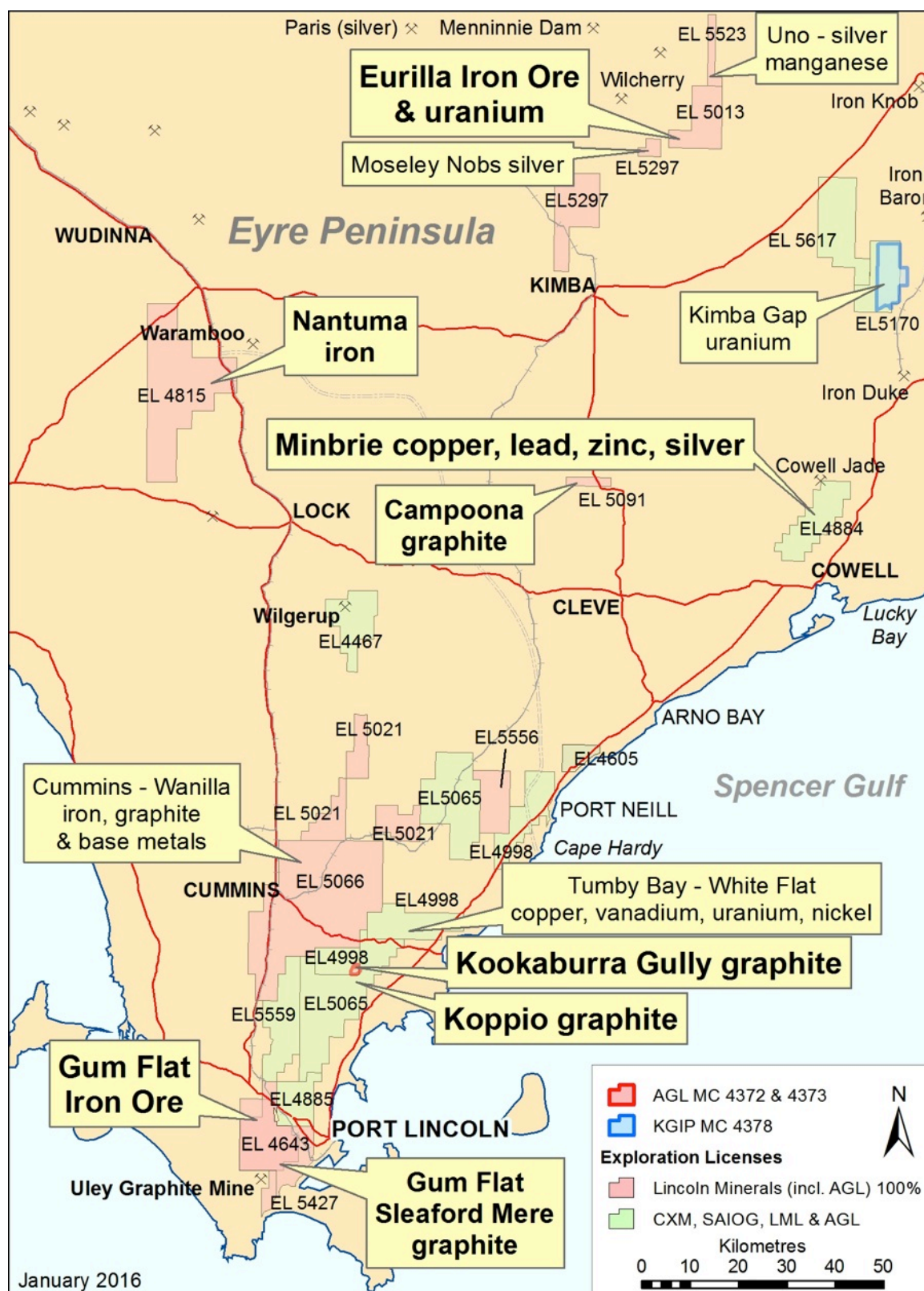


Figure 3: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements.

Exploration Licence data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 4 January 2016

http://www.minerals.statedevelopment.sa.gov.au/geological_survey_of_sa/data