

Quarterly Activities Report

December 2016

31 January 2017

Another significant period in Lincoln Mineral's aspiration to emerge as a supplier of high quality graphite to global markets.

Preparation of a Program for Environment Protection and Rehabilitation (PEPR) for the Kookaburra Gully graphite project in South Australia is well advanced. Lincoln aims to take the project to critical development and commercialisation milestones in 2017



During the December period under review, Lincoln Minerals continued to work towards development of its proposed 100%-owned Kookaburra Gully Graphite Mine on South Australia's Eyre Peninsula. Mineral Lease 6460 was granted to Lincoln's wholly-owned subsidiary for a period of 21 years commencing on 3 June 2016.

Kookaburra Gully is one of Australia's and the world's premier graphite deposits and Lincoln has completed a number of independent studies in preparation of the PEPR including:

- Geochemical characterisation, metallurgy, groundwater and surface water monitoring, installation of a weather recording station, transport route assessment, a spring orchid survey, and power and water supply options;
- Detailed batch and locked cycle metallurgical test work to optimise the mineral process flow sheet – **graphite concentrates at grades of 93% to 98% TGC have been achieved exceeding 90% recovery;**
- Conceptual design and costing of a proposed process plant to process 250,000 tonnes per annum of ore;
- Analysis of core samples from geotechnical drilling, other engineering site surveys and metallurgy tailings to assist with tailings storage facility, waste rock storage and mine design;
- Optimised mine design and mine scheduling; and
- Optimised design of the proposed tailings storage facility.

The PEPR details and formulates management plans for mine construction, operations, rehabilitation and closure and is the **imminent step for Government approval to commence graphite mining at Kookaburra Gully.**

In addition:

- Samples have been sent to China for pilot plant and downstream product development test work;
- A specialist graphite marketing consultant has been appointed to assist with product development.

Kookaburra Gully Extended Exploration Targets

- An exploration PEPR has been approved and land access agreements completed to enable Lincoln to undertake a major drilling program over this large, previously untested exploration target.
- **Drilling commenced in mid January 2017.**

Corporate

- Lincoln successfully raised \$2.95 million less expenses through a Rights Issue.

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)

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

The proposed mining operation is conventional open pit with associated processing plant to upgrade graphite mineralisation into high grade graphite concentrate at a target rate of ~30,000-40,000 tonnes per year. Kookaburra Gully is one of Australia's and the world's premier graphite deposits with total current Indicated and Inferred Mineral Resources of 2.20 million tonnes grading 15.1% TGC (Total Graphitic Carbon) (Lincoln Minerals Limited, 2016 Annual Report 30 September 2016). Metallurgical tests have shown that the deposit can produce a range of flake graphite concentrates from very fine (<75 microns) to large flake (>176 microns) grading 93% to 98% TGC. Concentrates can also be easily upgraded to >99.5% TGC by conventional acid leaching.

A **Mineral Lease ML 6460** was granted by the Honourable Tom Koutsantonis MP, South Australia's Treasurer, Finance Minister, Minister for State Development and Minister for Mineral Resources and Energy, to Lincoln's wholly-owned subsidiary, Australian Graphite Pty Limited (AGL), for a period of 21 years commencing on 3 June 2016.

This is a landmark step in the permitting process for the Kookaburra Gully Graphite Project.

The grant of ML 6460 is the pivot point and milestone to ensure delivery of Lincoln's transformation from project explorer and developer to an emerging graphite producer, in an industry at the forefront of the growing global green energy market. It is also the de-risking step-change to now elevate mine construction, financing and operating negotiations to a level where commercial transaction outcomes can be achieved.

To assist with commercial product development and marketing, Lincoln Minerals has appointed a specialist international graphite marketing consultant who has over 20 years experience in global graphite marketing.

Program for Environment Protection and Rehabilitation (PEPR)

The next key phase of the approvals process for ML 6460 is completion of a detailed PEPR. The PEPR will be based on the ML proposal but will incorporate management plans that meet environmental strategies and outcomes which are measurable and sustainable. The aim of the PEPR is to meet or exceed ML conditions imposed by the Government.

Lincoln is aiming to complete a draft PEPR early in 2017 and obtain all approvals in mid 2017.

With the assistance of its environmental engineering consultant, Envirocom, Lincoln is well advanced in preparation of a PEPR for the Kookaburra Gully graphite project including a number of independent expert studies on mine design and optimisation, metallurgy, process plant design and costing, geochemical characterisation of ore and waste rock,

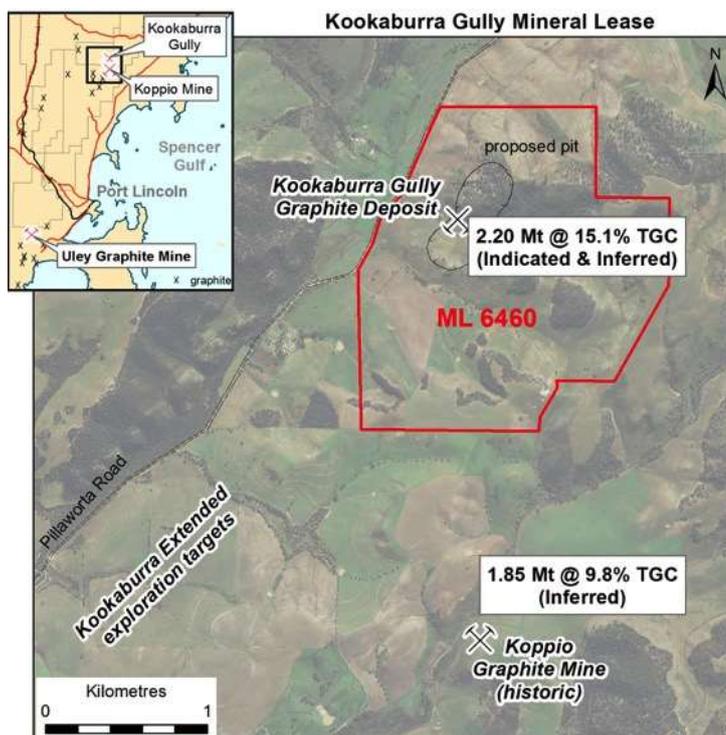


Figure 1: Location of AGL's Kookaburra Gully Graphite Project, Koppio graphite deposit and Kookaburra Extended exploration targets

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transport and logistics, tailings and waste rock storage facility design, groundwater and surface water modelling, flora and fauna, and power and water supply options.

An optimised mine plan has been produced by AMC Consultants to describe a staged approach to pit development, from starter pit followed by ongoing push backs through to final pit design.

AMC conducted pit optimisation based on economic criteria to define ore and assign it to the resource, estimated mining costs and other cost information to develop a conceptual mine schedule.

In December 2016, Lincoln conducted a mining design workshop attended by all consultant engineering companies undertaking studies for the mine design and PEPR. Based on the outcomes of this workshop, Golder Associates has further developed the Tailings Storage Facility (TSF) concept to support a cost estimate and proposed construction method.

Metallurgy and Process Plant Design

During the December 2016 Quarter, Lincoln Minerals completed metallurgical bench-scale testing of representative samples of the Kookaburra Gully graphite deposit to optimise the flotation of graphite and suppression of gangue minerals.

Locked cycle continuous flotation tests were completed on a 150kg master sample (LMC9 – see *Lincoln Minerals Limited, Quarterly Activities Report, September 2016*) to finalise design of the graphite process flow sheet. This work also included generation and analysis of bulk tailings samples for TSF design, batch flowsheet development testing and grind establishment testing. In addition to the master composite sample, batch tests were undertaken on variability composites. The latter mimicked the flowsheet developed for the master sample. Metallurgical work was undertaken at IMO Metallurgy in Perth and TSF test work was undertaken by Golder Associates in Perth and Canada.

Based on the results of the metallurgical locked cycle test work, the process flow sheet and process plant design were revised by Inception Group consulting engineers and costed by Ammjohn Engineering Services. The design is based on crushing 6 days per week (day shift operation), milling, flotation and concentrate drying on a 24/7 continuous operation (with 90% availability), packaging 6 days per week (day shift operation) and processing 250,000 tpa ROM ore at 15% TGC to produce 35,500 tpa graphite concentrate at 90% recovery and +95% TGC grade.

These results will be fed into a revised financial model currently being prepared.

Kookaburra Gully and Kookaburra Gully Extended Drilling Program

A drilling program commenced at the Company's world-class Kookaburra Gully graphite deposit in January 2017 and will include maiden drilling of the large Kookaburra Gully Extended electromagnetic (EM) Exploration Target immediately southwest of Kookaburra Gully.

The first stage of the program will further define Mineral Resources at Kookaburra Gully, and investigate possible extensions to known mineralisation within Mineral Lease ML 6460.

The second stage will include maiden exploration drilling along strike from the Kookaburra Gully deposit over the large 4.5 kilometre long Kookaburra Gully Extended EM anomalies.

Kookaburra Gully ML 6460

Drilling on the Kookaburra Gully Mineral Lease is part of Lincoln's ongoing planning and development program to complete its PEPR prior to construction and commencement of mining operations. Drilling will further define the Mineral Resource and assist with detailed mine site design and ongoing groundwater monitoring and modelling.



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Kookaburra Gully Extended

Imagery from the Koppio-Kookaburra Gully airborne EM survey shows that the Kookaburra Gully deposit is located on the northeastern end of a 4.5 kilometre long series of EM anomalies (Kookaburra Gully Extended). Based on interpretation of EM data and the size, amplitude and known Mineral Resources of the Kookaburra Gully and historic Koppio Graphite Mine EM anomalies, which both contain high-grade graphite deposits, the Kookaburra Gully Extended EM anomalies potentially define a large zone of graphite mineralisation. Kookaburra Gully Extended has a combined Exploration Target of 22 million to 44 million tonnes at 10-15% total graphitic carbon (TGC) in the immediate area (see *Lincoln Minerals Limited ASX Announcement 30 January 2014*).

It is emphasized that Exploration Target tonnage and grade estimates are entirely conceptual in nature since there has been no drilling in the immediate area of this target and it is uncertain if exploration will result in the estimation of a Mineral Resource.

Lincoln has commenced a comprehensive exploration drilling program across these EM anomalies with the aim of defining additional graphite resources.

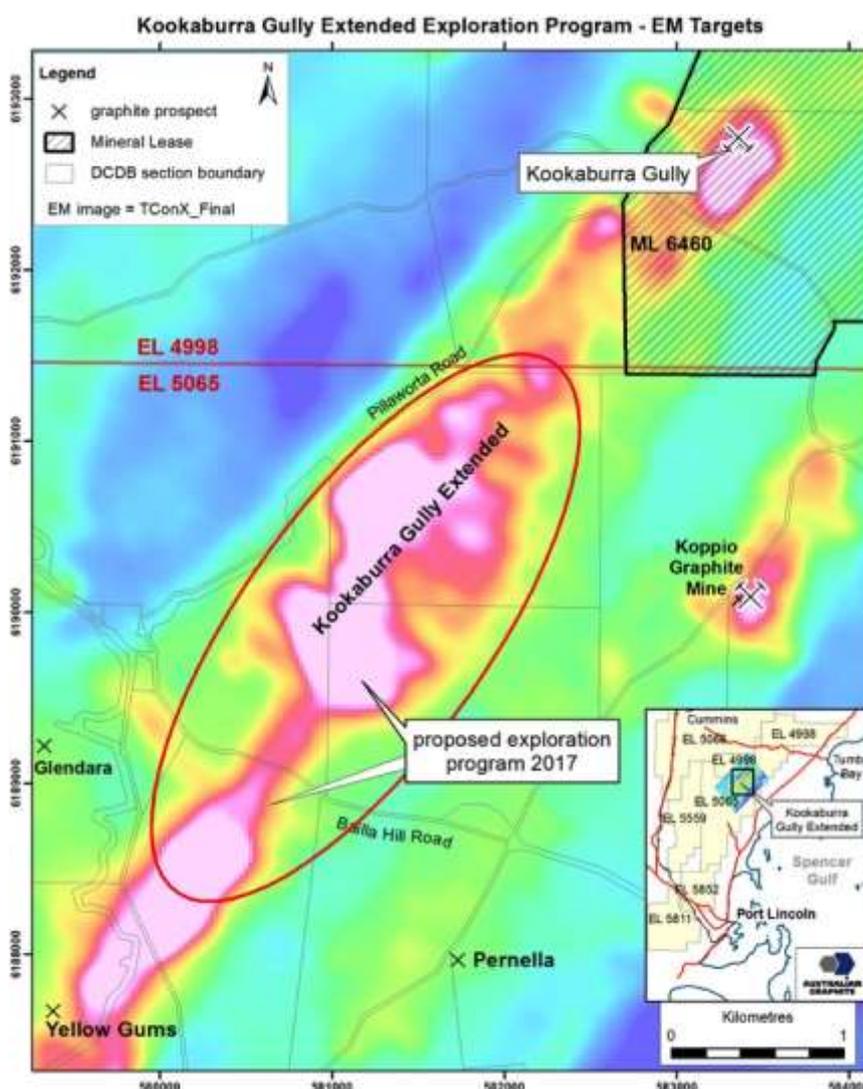


Figure 2: Location of Kookaburra Gully Extended EM anomaly and drilling program

Other SA Projects

Due to the Company's focus on the Kookaburra Gully graphite project, no significant exploration or development work was undertaken on Lincoln's other South Australian tenements during the Quarter.

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CORPORATE

At 31 December 2016, Lincoln had approximately A\$4.34 million in cash at bank. Exploration and evaluation expenditure by the Company during the December 2016 quarter was A\$578,000.

A 1-for-4 Rights Issue at 3.2 cents per share closed on 7 December 2016. Including additional shares that were applied for, shareholders subscribed for a total of 61,362,211 shares with the shortfall of 30,734,526 shares issued to underwriters and sub-underwriters. The Offer was fully underwritten to the value of \$2.95 million.

Board and Management

Yubo Jin	Chairman (Non-Executive)
James Tenghui Zhang	Vice-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

Ordinary shares at 31 December 2016

460,483,686

Tenements

The status of all ELs as at 31 December 2016 including SAIOG and CXM ELs, is shown in the following table and map. Subsequent ELs have been applied for over ELs 4815, 5013, 5021 and 5065. All other LML ELs are current to 2018-19.

Centrex (CXM and SAIOG) has relinquished ELs 5617 (Stony Hill), 5170 (Kimba Gap) and EL 5712 (Dutton Bay) and reduced the areas of ELs 4998, 5065 and 5852 to satisfy ongoing requirements by the Government. These were relinquished/reduced in area with the approval of LML.

Lincoln now holds exploration rights to South Australian lease holdings totalling 2,251 square kilometres, all on Eyre Peninsula.

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 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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Tenement List

Tenement	Expiry	Area (km ²)	Locality	Licensee	Graphite Rights	Iron Ore Rights	Other Mineral Rights	Comments
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%	Applied for subsequent EL for 2 years in full
EL 5066	12-Feb-17	441 after reduction	Wanilla	LML	AGL 100%	LML 100%	LML 100%	Applied for subsequent EL for 2 years with 25% reduction
EL 5021	11-Feb-17	112 after reduction	Cummins	LML	AGL 100%	LML 100%	LML 100%	Applied for subsequent EL for 2 years with 31% reduction
EL 5297	2-Mar-18	147	Moseley Nobs	LML	LML 100%	LML 100%	LML 100%	
EL 5523	28-Sep-19	26	Uno	LML	LML 100%	LML 100%	LML 100%	
EL 5556	3-Nov-19	82	Dutton River	LML	AGL 100%	LML 100%	LML 100%	Renewed in full for 3 years
EL 5811	6-Jan-18	128	Gum Flat	LML	AGL 100%	LML 100%	LML 100%	
EL 4815	20-Dec-16	166 after reduction	Nantuma	LML	LML 100%	LML 100%	LML 100%	Applied for subsequent EL for 2 years with 41% reduction
ML 6460	2-June-37	300.8 ha	Kookaburra Gully	AGL	AGL 100%	0%	LML 100%	
Subtotal		1,203	(after reductions in progress)					
LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE **								
EL 5851	13-Aug-18	117	Minbrie	CXM	LML 100%	0%	LML 100%	
EL 5852	13-Aug-18	51	Greenpatch	CXM	AGL 100%	0%	LML 100%	CXM has reduced area by 25 km ² (33%)
EL 4998	11-Apr-17	215 after reduction	Tumby Bay (Carrow)	SAIOG	AGL 100%	0%	LML 100%	CXM has applied for subsequent EL for 2 years with 57 km ² reduction (21%)
EL 5065	05-Aug-17	403	Mount Hill (Tod River)	SAIOG	AGL 100%	0%	LML 100%	CXM has reduced area by 62 km ² (13%)
EL 5170	04-Nov-17		Kimba Gap	SAIOG	LML 100%	0%	LML 100%	Relinquished in full
EL 5559	15-Nov-16	138	Wanilla (Bald Hill)	CXM	AGL 100%	0%	LML 100%	
EL 5617	14-Mar-17		Stony Hill	SAIOG	LML 100%	0%	LML 100%	Relinquished in full
EL 5641	18-Apr-17	104	Tooligie Hill (Wilgerup)	CXM	LML 100%	0%	LML 100%	
EL 5712	16-Nov-17		Dutton Bay	CXM	AGL 100%	0%	LML 100%	Relinquished in full
RL 129	07-Nov-21	20	Kimba Gap	KGIP	LML 100%	0%	LML 100%	
Subtotal		1,048	(after reductions in progress)					
Grand total		2,251	(total 27% reduction after reductions in progress)					

** On all CXM/SAIOG tenements + ML 6460, LML and its wholly owned subsidiary, Australian Graphite Pty Ltd (AGL), have 100% of the rights to all minerals except iron.

*** On RL 129 (KGIP = Kimba Gap Iron Project Pty Ltd), LML's rights only extend to that part overlying former 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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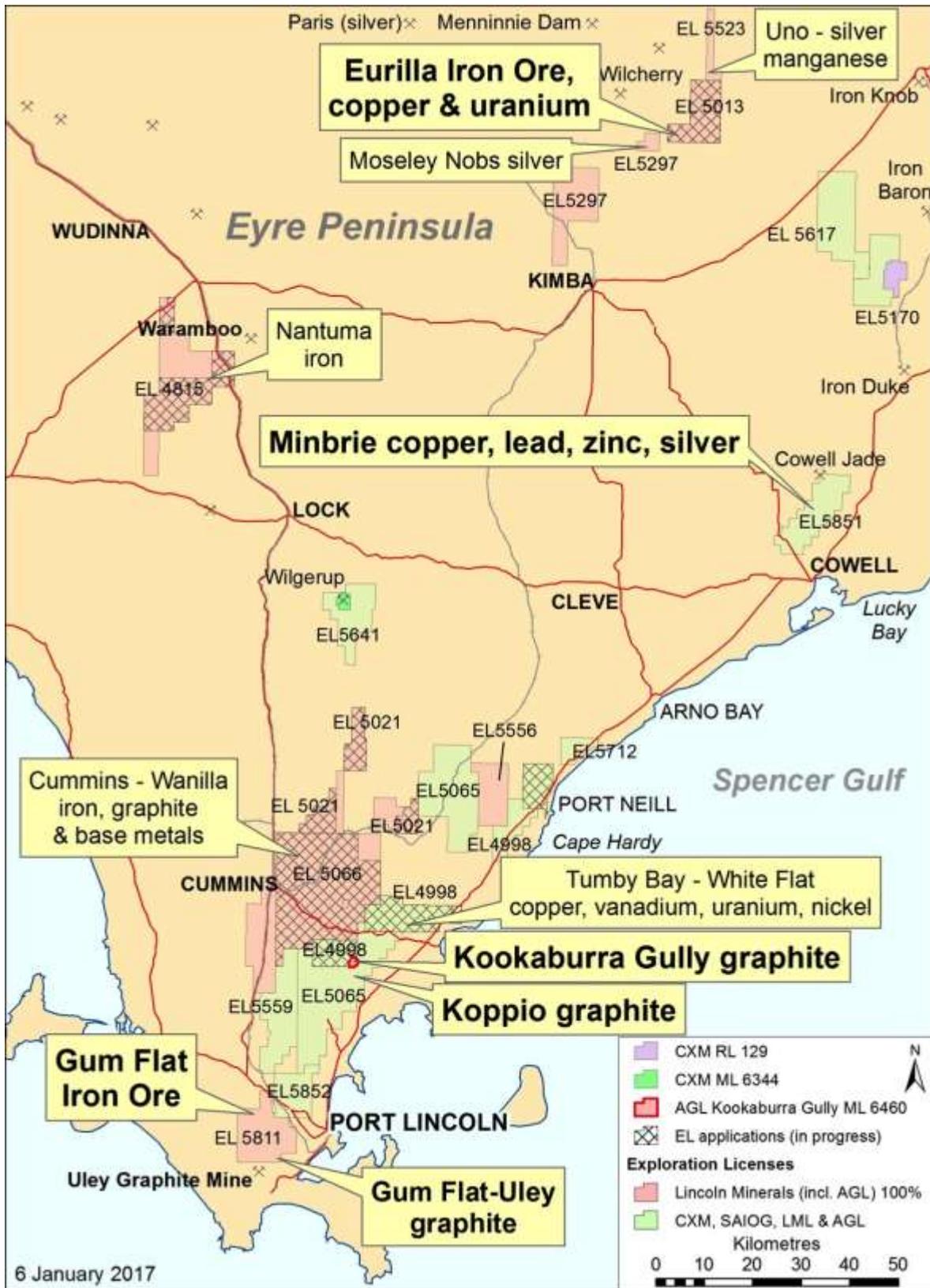


Figure 3: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements.

Exploration Licence data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 6 January 2017

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Lincoln Minerals Limited

ABN

50 050 117 023

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(578)	(933)
(b) development	-	-
(c) production	-	-
(d) staff costs (net of capitalised expenditure)	(117)	(194)
(e) administration and corporate costs	(140)	(361)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	103
1.8 Other (provide details if material)	-	3
1.9 Net cash from / (used in) operating activities	(818)	(1,362)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	6	6
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	5	5

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,947	2,947
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(223)	(240)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,724	2,707

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,428	2,989
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(818)	(1,362)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5	5
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,724	2,707
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,339	4,339

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,100	389
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details) – 30 to 90 days deposit funds	1,239	2,039
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,339	2,428

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	138
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' fees, superannuation and consulting fees paid to entities associated with Directors.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	1,120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	320
9.5 Administration and corporate costs	110
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,550

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL 5170 EL 5617 EL 5712 EL 4998 EL 5065 EL 5852	Exploration tenements (for all minerals other than iron)	Operator	Nil Reduced in area by 30%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 31 January 2017

Print name: Jaroslaw (Jarek) Kopias

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.