

7 April 2010

The Manager
ASX Announcements

Dear Sir,

China steel mill to inject A\$8.2m into Lincoln Minerals

China steel mill, Jiangyin Huaxi Steel Co., Ltd (JHS) has today subscribed \$825,000 for 1,500,000 shares at 55 cents each and will inject a further A\$7.425 million for a further 13.5 million shares at 55 cents each under a two part Heads of Agreement (HOA) signed today. In addition JHS will buy at least half of Lincoln's proposed output from its flagship Gum Flat iron ore project in South Australia.

The issue when completed will comprise approximately 13% of total Lincoln shares after the placement, making JHS Lincoln's second largest shareholder.

For the second part of the HOA, Lincoln will establish an **Off-take Agreement** with JHS comprising 50% of Lincoln's share of any future hematite Direct Shipping Ore (DSO) and 50% of Lincoln's share of any other hematite and/or magnetite iron ore production from its Gum Flat Iron Ore Project located within EL 3422 on southern Eyre Peninsula.

Proceeds from the direct investment by JHS, are planned to be used to:

- **Regain** 100% ownership of the Gum Flat Iron Ore Project by 30 April 2010; and
- **Fast track exploration and development** at Gum Flat to build on its existing Indicated and Inferred Resources of 58 million tonnes (Mt) and exploration targets of 125-200 Mt magnetite ore and 4-17 Mt of hematite ore.

Lincoln's Managing Director, Dr John Parker, said that "Lincoln would buy back from Indian iron ore miner, Mineral Enterprises Limited and its subsidiary, Mineral Enterprises Australia Pty Ltd, at a cost of A\$5.7 million, the 40% of the Gum Flat project not already owned by Lincoln".

"In addition, Lincoln will also complete a Scoping Study at Gum Flat for both hematite DSO and magnetite mining and beneficiation, a detailed hydrogeological study and, subject to the outcomes of those studies, apply for a Mining Lease and seek all necessary approvals".

The transactions outlined today are in addition to Lincoln earlier this year, retaining 100% ownership of its other major Eyre Peninsula iron ore project - at Wilcherry (Hercules South) on the Peninsula's northern sector.

Further inquiries:

Dr John Parker

Managing Director, Lincoln Minerals Limited

Mob: 0412 517 323 Tel: (08) 8274 0243

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.

Further Details and Background

The terms and conditions applying to the two proposed agreements announced under today's HOA, include:

Direct Investment Agreement

- The price of the shares is A\$0.55 (55 cents) cash per ordinary share;
- Lincoln has already received A\$825,000 and has allotted 1,500,000 shares to JHS;
- Payment for the balance of the shares (A\$7,425,000) is to be made within 10 business days;
- Issue of the balance of 13,500,000 ordinary shares will be made immediately upon receipt of such payment;
- Lincoln and JHS have agreed that the placement shares be voluntarily escrowed for a period of 12 months from the date of issue.

Offtake Agreement

- Off-take shall commence from start-up of hematite DSO and/or magnetite production for a minimum period of 2 years, with JHS having the right to extend for a further 3 years, subject to availability of mineable reserves and a minimum price no less than an agreed economically viable price and Iron Ore Reference Product Specification;
- Price to be referenced to the Hamersley Benchmark iron ore price current at the time of shipment but with flexibility should that pricing mechanism be replaced;
- Payment for shipments to be made immediately on delivery Free-on-Board (FOB) at a South Australian port, based on an independent Bill of Lading.
- Final details of the Off-take Agreement will be negotiated and agreed directly between Lincoln and JHS, and these arrangements will not be binding until such details are agreed.

Background to acquisition of Indian interests in Gum Flat

Lincoln and Mineral Enterprises announced on March 12 this year that the two companies had signed a Contract for Sale of Joint Venture Interest under which, subject to finance, Lincoln will re-acquire the 40% interest in the Gum Flat Iron Ore Project.

Lincoln originally entered into a joint venture agreement with Mineral Enterprises Limited (MEL) and its subsidiary, Mineral Enterprises Australia Pty Ltd (MEA) in December 2007. MEL advised Lincoln this year that as MEL is developing a number of projects in India, including a hematite beneficiation plant and a deep sea port, it has agreed to sell its interest in Gum Flat to help fund its Indian initiatives.

MEA earned its 40% participating interest in EL 3422 by spending in excess of A\$2.5 million funding air core, diamond core and reverse circulation drilling programs that led to the definition of a 55 million tonne magnetite iron ore Inferred Resource and a 0.9 Mt hematite potentially Direct Shipping Ore (DSO) Indicated Resource.

Background on Jiangyin Huaxi Iron & Steel Co., Ltd

JHS is a subsidiary of the Jiangsu Huaxi Group and employs 3,400 people. It was established in September 2002, commencing steel mill operations in February 2004, and iron ore imports from 2005. Its main plant at Jiangsu, just west of Shanghai, comprises an Oxygen Plant, Sintering Plant, Ironworks and Steel Plant.

It has emerged since as a Sino-foreign joint venture with an annual output of 1.85 million tons of sinter, 500,000 tons of pellets, 1.25 million tons of molten iron, and 1.25 million tons of continuous cast billets. In calendar year 2009, Huaxi Steel produced 3.09 Mt steel.

Huaxi Steel is committed to environmental protection and highly efficient utilization of resources.



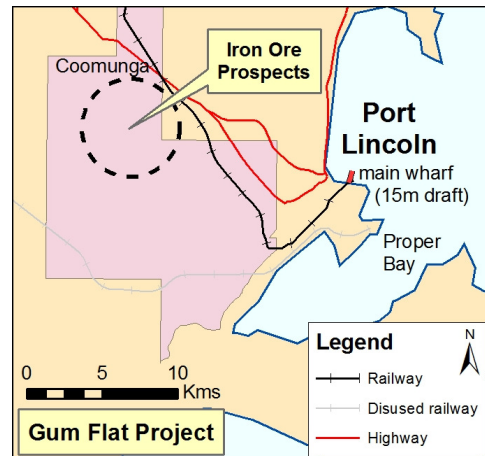
Gum Flat Iron Ore Project

The Gum Flat Iron Ore Project is located on southern Eyre Peninsula (Gawler Craton, South Australia) within 20km of Port Lincoln.

In April 2009, LML announced maiden resources for Gum Flat including:

- Total Magnetite Inferred Resource 55.2 Mt at 20.6% DTR concentrate (23.5% Fe)

Drilling at Gum Flat during the period November 2009 to February 2010 has defined extensions to both the magnetite and hematite mineralisation. Down dip from the central zone of the Barns Prospect, good magnetite mineralisation has been shown to extend to at least 325m below ground level. This is 75m deeper than previously identified. There are also additional zones of magnetite iron formation (BIF) not previously drilled.



Based on the latest round of drilling at Barns, the combined total hematite Inferred and Indicated Resource including Sheoak West hematite is:

- Barns Indicated Resource 0.9 Mt at 54.8% Fe (50% Fe cut-off) or 58.8% CaFe
- Total Inferred and Indicated 2.7 Mt at 47.7% Fe (40-45% Fe cut-off)

The Exploration Targets for magnetite and hematite (including the above resources) are:

- Magnetite 125-200 Mt at 20-25% Fe
- Hematite 3-17 Mt at 45-60% Fe (incl. 1-2 Mt DSO at 55-60% Fe)

Detailed metallurgical testing of the magnetite resource has shown that an indicative BF concentrate grade would be:

DTR Wt %	%Fe	% SiO ₂	% Al ₂ O ₃	%CaO	%MgO	%P	%S	%Mn
28.2	66.90	4.38	0.49	0.55	0.58	0.01	0.02	0.44

On the basis of ongoing good drilling results, LML is planning to complete a scoping study within the second quarter of 2010. This will include a detailed hydrogeological survey and construction of water monitoring bores to ensure that any proposed mining will not affect groundwater in the region.

The EL is also prospective for polymetallic minerals including gold, uranium, base metals (copper, lead, zinc, nickel) and graphite.

Extending west from Port Lincoln with a railway line and major highway running through the area, EL3422 is ideally located with respect to infrastructure and proximity to a major shipping port. The approval given to Centrex Metals Limited to ship iron ore from Port Lincoln may open the door for Lincoln Minerals to also export iron ore from Port Lincoln.

Information in this report that relates to exploration activity and results was compiled by Dr A J 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.

It is emphasized that exploration target tonnage estimates given in this report 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.

DTR = magnetic Davis Tube Recovery DSO = Direct Shipping Ore Mt = million tonnes