

## Quarterly Activities Report – June 2014

28 July 2014

### Key Points

#### Kookaburra Gully Graphite on South Australia's Eyre Peninsula

- **Mining Lease Application is being finalised** for Kookaburra Gully flake graphite project including further community and stakeholder consultation meetings, preparation of conceptual mine plans for waste rock and tailings storage facilities and completion of various environmental reports
- Groundwater pump tests and hydrogeological modelling show very low transmissivities in graphite schist and associated units at Kookaburra Gully
- Drilling program completed at and along strike from the historic Koppio Graphite Mine
- Graphite mineralisation at the historic mine site extends more than 525m in strike length and remains open to the north and south of current drilling extents

#### *Subsequent to the end of the June 2014 Quarter*

- Community Information Update No. 2 was released for the proposed Kookaburra Gully flake graphite mine
- Assay results received for drilling undertaken at the historic Koppio Graphite Mine – **graphite mineralisation up to 42.8% Total Graphitic Carbon (TGC)**

### Corporate

- Successful fully underwritten Rights Issue completed, raising \$3.35 million
- A \$250,000 short-term loan was repaid in full
- New EL 5427 granted for 2 years immediately adjacent to Uley Graphite Mine on southern Eyre Peninsula

***Kookaburra Gully is one of Australia's premier graphite deposits with total Indicated and Inferred Mineral Resources of 2.20 million tonnes grading on average 15.1% TGC.***

***Both Kookaburra Gully and the nearby historic Koppio Graphite Mine are global Top 10 graphite deposits based on grade, are 10km from water supplies, adjacent high voltage electricity lines and within 35km of a major export port.***

***Lincoln Minerals Limited (LML) and its 100% owned subsidiary Australian Graphite Limited (AGL) aim to take the Kookaburra Gully project to critical development and commercialisation milestones over the next 12 months.***

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## SOUTH AUSTRALIA

### EXPLORATION & DEVELOPMENT PROGRESS DURING THE QUARTER



#### Graphite – various ELs (SA's Eyre Peninsula)

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

There are numerous graphite occurrences and historic graphite mines on southern Eyre Peninsula within 50km of Port Lincoln including:

- **Kookaburra Gully** located approximately 35km north of Port Lincoln – originally identified and investigated by Pancontinental Mining during the 1980s but shown by Lincoln Minerals' drilling early in 2013 to contain a shallow high grade flake graphite with a Mineral Resource extending to at least 125m below ground level and open both at depth and along strike (*Lincoln Minerals Limited, ASX Announcement 19 December 2013*)
- **Koppio Graphite Mine** – intermittently mined from the early 1900s to 1944 (*South Australian Department of Mines (now DMITRE) Report Book 21/87, 1945*) and containing high grade lenses of coarse flake graphite up to 42.8% TGC (*Lincoln Minerals Limited, ASX Announcement 10 July 2014*)
- **Pernella, Glendara and Yellow Gums prospects** – historic occurrences containing coarse flake graphite near Koppio
- **Plumbago and Yarranyacka prospects** – historic prospects in the Gum Flat and Sleaford Mere area immediately adjacent to the Uley Graphite Mine.

Other prospects on Lincoln's tenements within SA's Eyre Peninsula include:

- Campoona Syncline (Cockabidnie) – immediately adjacent to Archer Exploration Limited's (AXE) Campoona Hill, Sugarloaf Hill and Wilclo graphite prospects.

During the April-June quarter 2014, Lincoln completed a drilling program at the historic Koppio Graphite Mine and significantly advanced the completion and compilation of environmental, hydrogeological and mine planning reports for a Mining Lease Proposal for Kookaburra Gully.

#### Proposed Kookaburra Gully Graphite Mine

Early in July 2014, Lincoln released its Community Information Update No. 2 for the Company's proposed graphite mine at Kookaburra Gully.

Company representatives presented this update and answered questions at community information sessions on 10-11 July 2014 at Tumby Bay and Yallunda Flat. This was a final step towards completing a Mining Lease Proposal for the proposed Kookaburra Gully Graphite Mine.

Kookaburra Gully has a combined Inferred and Indicated Mineral Resource of 2.2 million tonnes at an average 15.1% TGC (1.47 Mt @ 13.9% TGC Indicated + 0.73 Mt @ 17.3% TGC Inferred at >5% TGC). Metallurgical tests have shown that the deposit can produce a range of flake graphite products from very fine (<75 microns) to large (>176 microns) flake at grades in excess of 93% TGC.

The Mining Lease Proposal and Application will be made in the name of Australian Graphite Limited (AGL) which is a fully-owned subsidiary company of Lincoln Minerals Limited. AGL owns the graphite mineral rights over a number of LML and CXM-SAIOG ELs (see the Tenement schedule at the end of this report).

During the past 3 months, the project team has continued to compile a draft Mining Lease Proposal for the proposed Kookaburra Gully Graphite Mine. This includes:

- Optimisation of the site layout

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- Further design work on the Mine Concept Design
- Preparations for “pegging” the requisite Mineral Claim(s)
- Completion of technical assessments including flora, fauna, groundwater, noise and air quality
- Drafting of the Mining Lease Proposal.

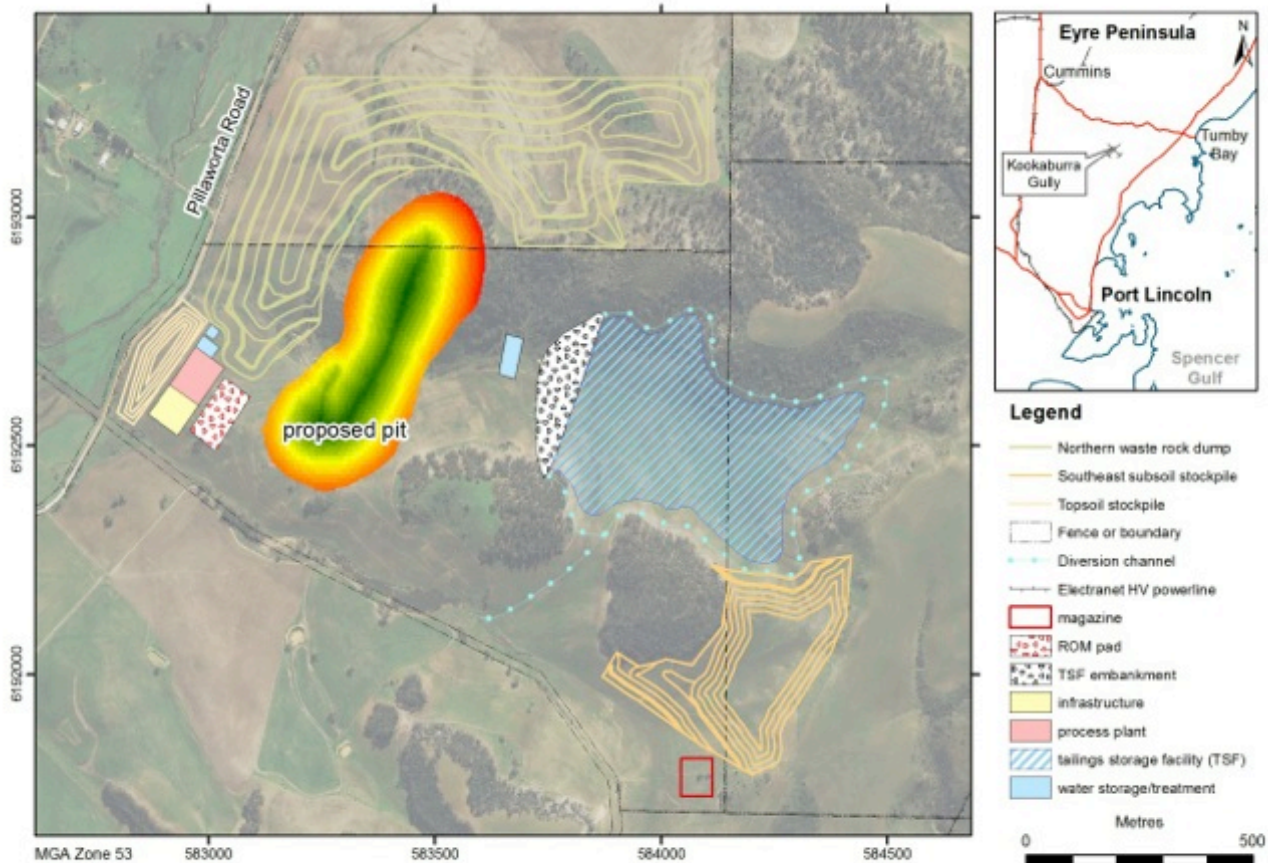


Figure 1: Proposed site layout of the pit, TSF, stockpiles, WRSF and other infrastructure at Kookaburra Gully

A key component of the Kookaburra Gully project has been the Stakeholder Consultation Plan. This is ongoing and addressing impacts and benefits to surrounding landholders, stakeholders and the wider Eyre Peninsula community.

For further information regarding progress on the Mining Lease Proposal, please consult the July 2014 Community Information Update No. 2 (*Lincoln Minerals Limited, ASX Announcement 9 July 2014*) which is available on the Company website [www.lincolnminerals.com.au](http://www.lincolnminerals.com.au).

**Lincoln Minerals and Australian Graphite aim to take the Kookaburra Gully project to critical development and commercialisation milestones over the next 12 months.**

## Kookaburra Gully groundwater drilling program

Late in March 2014, Lincoln completed geotechnical drilling at Kookaburra Gully to test fractures and stratigraphic horizons in the basement for groundwater and possible extensions to known mineralisation. Fifteen aircore and slimhole reverse circulation (RC) drillholes were completed 26-29 March for a total 1,349m. Ten holes intersected minor amounts of water.



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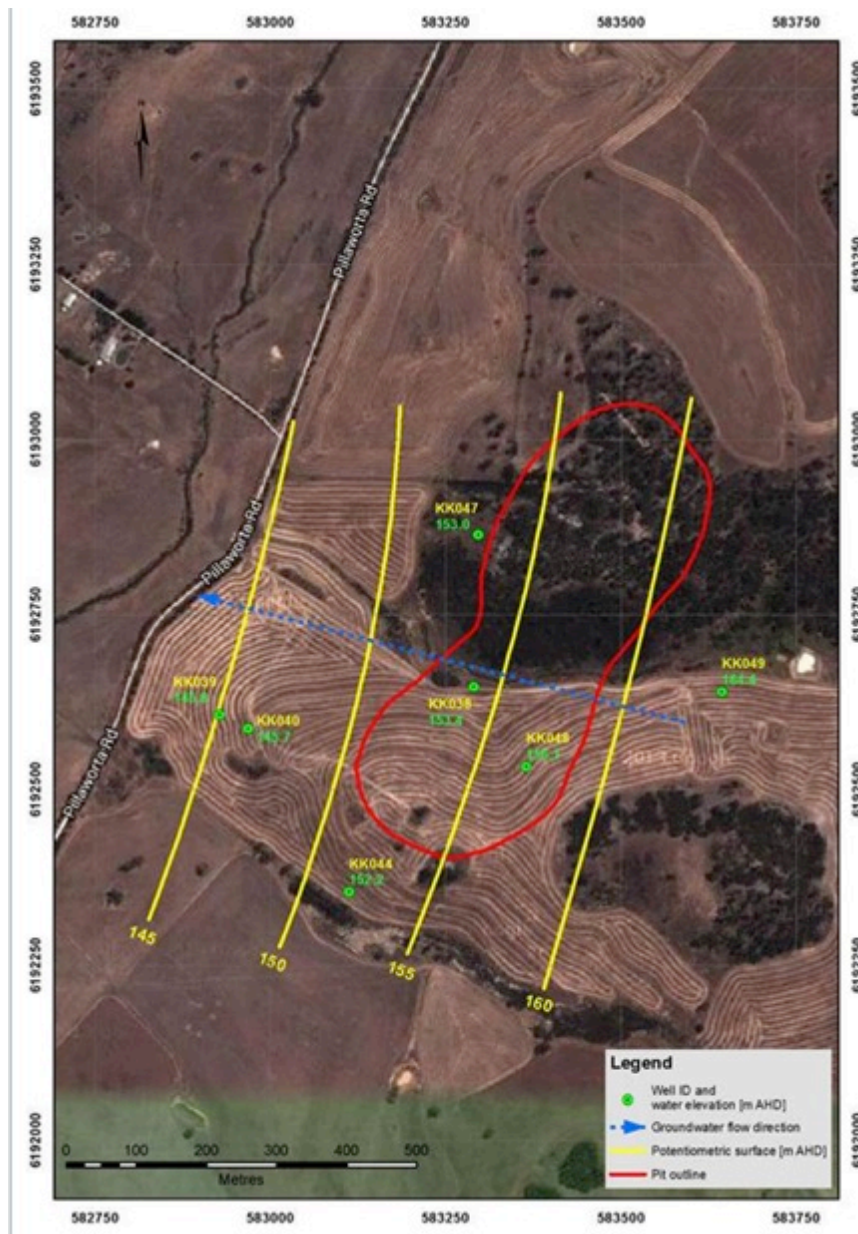


Figure 2: Potentiometric groundwater surface (mAHD) determined from groundwater levels during the 2014 drilling program

Pump tests were undertaken in the middle area of the proposed pit and samples collected for detailed chemical analysis. No artesian groundwater conditions were encountered at the site.

Pump tests show that the host rocks to the graphite mineralisation have a very low transmissivity, have high salinity (5400 mg/L), neutral pH and, except for trace selenium, are compliant with EPA criteria for freshwater aquatic ecosystems.

The well yields are low at the mine location and the site falls in a non-prescribed wells area. This means that there is no requirement to hold a water licence or seek authorisation to extract water for mining purposes. However, principles in regional Natural Resource Management plans still apply, in particularly to the granting of permits required for Water Affecting Activities. Additionally, a duty of care exists for the Company.

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Groundwater occurring in the fractured basement rock aquifer will flow into the pit during operations and will need to be removed to provide dry and safe working conditions. Modelling and assessment of likely dewatering rates have been carried out by an independent groundwater specialist, assessing topography, existing groundwater levels and creeks. Discharge rates are low throughout all phases of mining and the drawdown cone at the end of mining (7.2 years) is confined to less than 1km radius from the pit. Much of the water seeping through the pit walls will be lost to evaporation except in winter.

## Koppio drilling program

In April 2014, Lincoln completed a total of 20 aircore and RC drill holes over the historic Koppio Graphite Mine (Figure 3) for a total of 1,679 metres (*Lincoln Minerals Limited, ASX Announcement 30 April 2014*). Drilling intersected varying grades and thicknesses with all but one drill hole intersecting minor to significant graphite mineralisation. The one drill hole failing to hit graphite was drilled as a scissor hole to the mine section (see Figure 4 below) but was positioned too far away from the mineralisation to intersect graphite at depth.

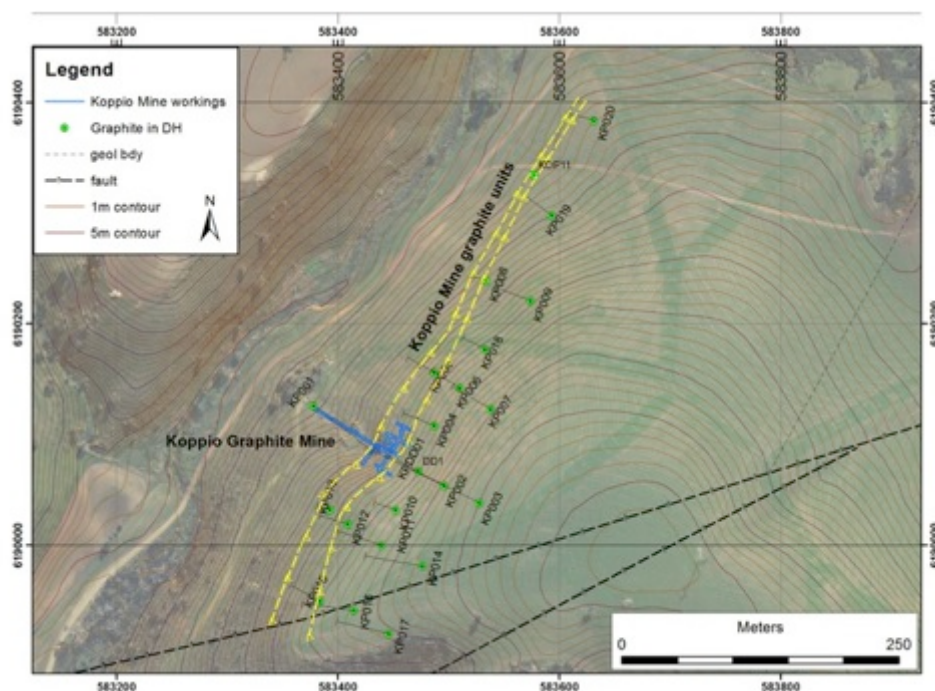


Figure 3: Drillhole plan showing surface distribution of graphite units from drilling at Koppio Graphite Mine

Some 586 samples were taken for total graphitic carbon and carbon analysis. Based on those results, several zones have been identified that require further sampling to close off mineralisation before Mineral Resource estimation can commence. The best one metre intersection, in Hole KPO17 (53-54m), was 42.8% TGC which is one of the highest yet graphite assay results from Australia's new wave of graphite exploration projects. Significant drill hole assay intercepts greater than 10% TGC have been tabulated in Table 1 (refer to *Lincoln Minerals Limited, ASX Announcement 10 July 2014* for all results).

The April drilling at Koppio has extended the extent of graphite mineralisation at the site of the historic workings from a strike length of ca. 50m to more than 525m and a depth extent of at least 100m below ground level. The current strike length is still open to the north and south of existing drilling. The aggregate true thickness of graphite layers at the mine site and 160m SW is about 14-15m but to the NE of the mine, the units thin to an aggregate true thickness of 6-7m. The interpreted dip of the graphite units is about 60-75° to the ESE but they are complexly folded.

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Previous petrological studies on samples from the old underground mine workings have shown that flake length is good and ranges up to 800 microns with an average flake length of 350-400 microns.

Table 1: Selected drillhole intercepts >10% TGC

HOLEID	FROM	TO	INTERVAL (m)	TGC (%)
KP002	75	80	5	18.20
KP002	96	114	18	10.13
KP003	123	136	13	11.46
KP004	43	48	5	11.01
KP004	50	55	5	11.96
KP006	28	38	10	12.30
including	31	38	7	15.04
KP006	45	73	28	10.05
including	45	58	13	15.18
KP007	88	92	4	12.59
KP012	35	44	9	10.68
KP014	83	87	4	11.26
KP015	43	49	6	10.20
KP016	42	53	11	15.59
KP016	90	98	8	13.31
KP017	52	60	8	14.92
including	53	54	1	42.80
KP018	41	57	16	11.68
KP019	31	33	2	15.10
KP020	28	30	2	10.63
KP020	31	33	2	10.20

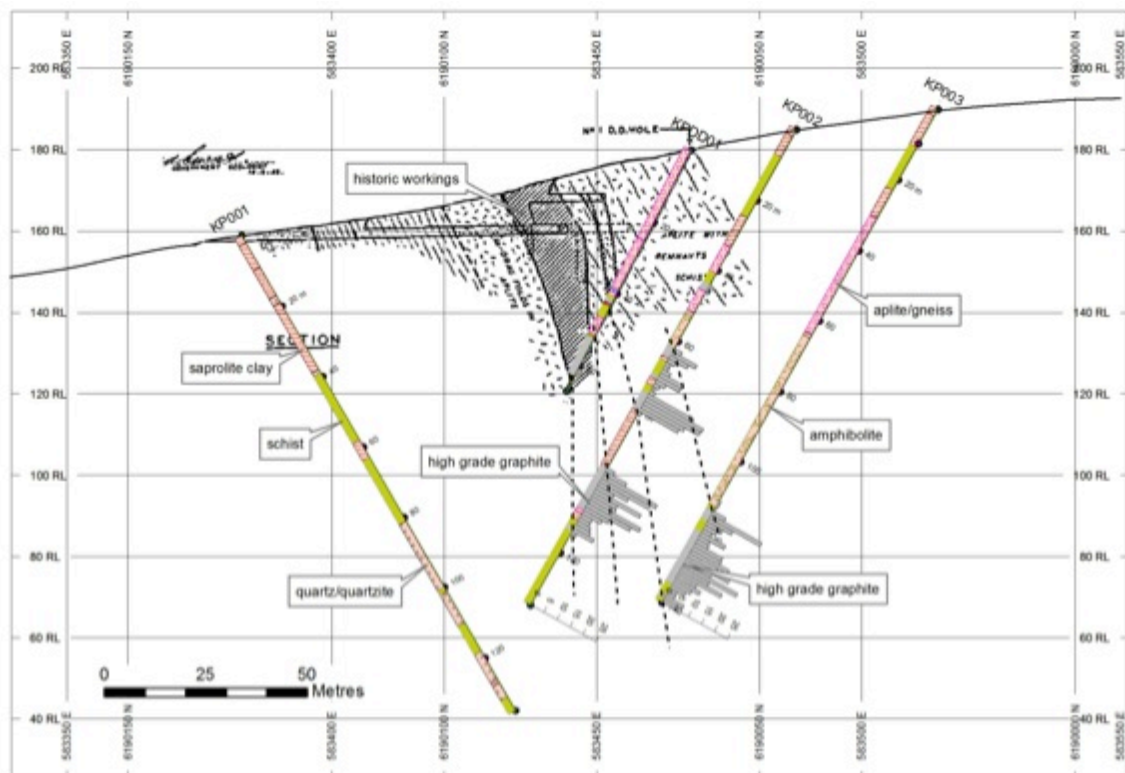


Figure 4: NW-SE geological section through historic mine workings and drillholes at Koppio Graphite Mine



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## Gum Flat Iron Ore Project

*(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 south to Port Lincoln.

Gum Flat EL 4643 contains a number of priority magnetic targets including Barns, Rifle Range and the Port Lincoln-Tulka suite (*Figure 5*). All are within 20km of Port Lincoln or about 120-150km by road from the proposed new deep water Cape-size ports at either Port Spencer or Cape Hardy, between Tumby Bay and Port Neill (*Figure 6*).

The Company is proposing to mine hematite mineralisation at the Barns deposit and export up to 250,000 tonnes per annum direct shipping ore (DSO) via Port Lincoln including upgrading ~1 Mtpa lower grade (40-55% Fe) hematite-goethite-magnetite to DSO grade over a 4-5 year mine life. A Mining Lease Application (MLA) has been prepared for this proposed operation but has been stalled by the Company's inability to secure a critical groundwater extraction licence from the Government.

Groundwater is a primary concern for the Barns mine plan since the proposed mine site is within the Southern Basins Prescribed Wells Area (SBPWA).

Lincoln Minerals has devoted considerable time and resources to ensure that proposed mining activities will not have detrimental or unsustainable affects on the main aquifer but despite that, the Company's applications for a groundwater licence have to date, been refused by the SA Minister for Sustainability, Environment and Conservation.

Consequently, Lincoln Minerals has lodged an appeal with the Environment, Resources and Development Court of South Australia. An ERD Court Hearing was held in May 2014 but was adjourned at the request of the Department for Environment, Water and Natural Resources to enable further pump tests to be completed. The subsequent ERD Court Hearing is scheduled for early August 2014.

Lincoln recognises that the groundwater resource in the SBPWA is valuable and needs to be managed sustainably. The Company believes that the revised groundwater extraction scheme for its proposed mining operation is consistent with these principles and is committed to working within the Water Allocation Plan for the SBPWA.

## Other Projects

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

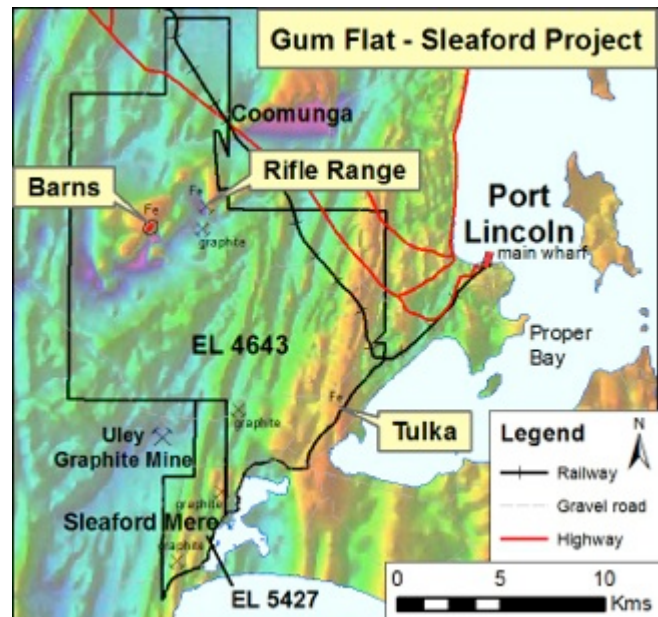


Figure 5: Location of Gum Flat Barns deposit and the new Sleaford Mere graphite EL

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## CORPORATE

At 30 June 2014, the Company had approximately \$2.89 million cash.

Exploration and evaluation expenditure by the Company during the June 2014 quarter was \$524,000.

### Finance

On 5 May 2014, Lincoln Minerals announced a fully-underwritten non-renounceable Rights Issue. Under the Offer, Lincoln shareholders who were registered as at 9 May 2014, were eligible to subscribe for approximately 67.1 million new fully paid ordinary shares in the capital of the Company, at an issue price of A\$0.05 per share, to raise approximately A\$3.35 million before expenses of the issue.

Proceeds of the Issue will primarily be graphite focused and directed at:

- Completion and processing of a Mining Lease application for Lincoln's high grade Kookaburra Gully graphite project;
- Ongoing flake graphite metallurgy and pilot plant testing of the Company's Kookaburra Gully and nearby historic Koppio Mine graphite deposits;
- Detailed geotechnical and water well drilling and bulk sample trenching at the Kookaburra Gully graphite deposit;
- Detailed design and engineering of a graphite processing plant for the Kookaburra Gully project;
- Detailed mine planning and preparation of a Program for Environmental Protection and Rehabilitation;
- Establishing international markets and customers for graphite products from Kookaburra Gully.

Proceeds will also be used to:

- Obtain groundwater licences and to complete amendments to the Mining Lease Application for Stage 1 of the Gum Flat iron ore project;
- Repayment of a \$250,000 loan (paid);
- Ongoing exploration for manganese, iron, silver and base metals at Uno and Eurilla on northern Eyre Peninsula, copper at Minbrie and magnetite at Nantuma near Warrambo on central Eyre Peninsula;
- Working capital purposes.

The Offer closed on 6 June 2014 and 67,096,737 shares were issued to shareholders and underwriters to complete the Rights Issue.

Repayment of the \$250,000 loan for the Koppio-Kookaburra Gully drilling program, plus interest, was made subsequent to receipt of funds from the Rights Issue.

### Tenements

The Company is maintaining an ongoing lookout for corporate opportunities in the way of potential off-take agreements for its proposed future iron ore and/or graphite 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.



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A new two year Exploration Licence, EL 5427, was granted to Lincoln on 19 June 2014 for Sleaford Mere, immediately adjacent the Uley Graphite Mine. It contains historic graphite prospects along with aeromagnetic iron ore targets.

The Company has applied for renewals of Campoona (EL 5091 with a proposed 46% reduction) and Cockabidnie North (EL 4539 in full).

## Board and Management

<b>Yubo Jin</b>	Chairman (Non-Executive)
<b>Dr A John Parker</b>	Managing Director
<b>Kee Guan Saw</b>	Director (Non-Executive)
<b>Eddie Lung Yiu Pang</b>	Director (Non-Executive)
<b>Alex Hooi-Kiang Lim</b>	Director (Non-Executive)
<b>Jarek Kopias</b>	Company Secretary / CFO
<b>Dwayne Povey</b>	Chief Geologist

## Securities on Issue

<b>Shares at 30 June 2014</b>	<b>268,386,949</b>
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## Tenements at 30 June 2014

<b>Tenements</b>	<b>Exclusive Rights</b>	<b>Area (sq km)</b>
12	All minerals	2,255
14	All minerals except iron ore	1,822
	<b>TOTAL</b>	<b>4,077</b>

*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](http://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 (km2)	Locality	Licensee (or Applicant)	Graphite Rights	LML Share **
	LINCOLN MINERALS (AND AGL) HAS OWNERSHIP OF ALL MINERAL RIGHTS					
EL 5013	28-Jan-15	98	Eurilla (Lake Gilles)	LML	LML	100%
EL 5066	12-Feb-16	861	Wanilla	LML	AGL	100%
EL 5021	11-Feb-16	162	Cummins	LML	AGL	100%
EL 5022	11-Feb-16	139	Lake Gilles (Stony Hill West)	LML	LML	100%
EL 5091	5-Aug-14	31	Campoona	LML	AGL	100%
EL 5219	24-Feb-15	111	Tarlinga	LML	AGL	100%
EL 5297	2-Mar-15	147	Moseley Nobs	LML	LML	100%
EL 4310	28-Sep-14	26	Uno	LML	LML	100%
EL 4361	3-Nov-14	82	Dutton River	LML	AGL	100%
EL 4643	6-Jan-16	208	Gum Flat	LML	AGL	100%
EL 4815	20-Dec-15	372	Nantuma	LML	LML	100%
EL 5427	18-Jun-16	18	Sleaford Mere	LML	LML	100%
Subtotal		2,255				
	LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE **					
EL 4883	13-Aug-15	154	Cockabidnie	CXM	AGL	100%
EL 4884	13-Aug-15	117	Minbrie	CXM	LML	100%
EL 4885	13-Aug-15	76	Greenpatch	CXM	AGL	100%
EL 4998	11-Apr-16	272	Tumby Bay (Carrow)	SAIOG	AGL	100%
EL 5065	05-Aug-14	465	Mount Hill (Tod River)	SAIOG	AGL	100%
EL 5170	04-Nov-14	106	Kimba Gap	SAIOG	LML	100%
EL 5245	11-Dec-14	26	Pondooma	SAIOG	LML	100%
EL 5335	17-Sep-15	52	Ironstone Hill	SAIOG	LML	100%
EL 4384	15-Nov-14	138	Wanilla	CXM	AGL	100%
EL 4451	14-Mar-15	155	Stony Hill	SAIOG	LML	100%
EL 4467	18-Apr-15	104	Tooligie Hill (Wilgerup)	CXM	LML	100%
EL 4539	23-Aug-12	11	Cockabidnie North	LML	LML	100%
EL 4571	04-Oct-14	115	Gilles Downs	CXM	LML	100%
EL 4605	16-Nov-14	31	Dutton Bay	CXM	AGL	100%
Subtotal		1,822				
	Grand total	4,077				

**\*\* On all CXM/SAIOG tenements + EL 4539, LML and its wholly owned subsidiary, Australian Graphite Limited (AGL), have 100% of the rights to all minerals except iron.**

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

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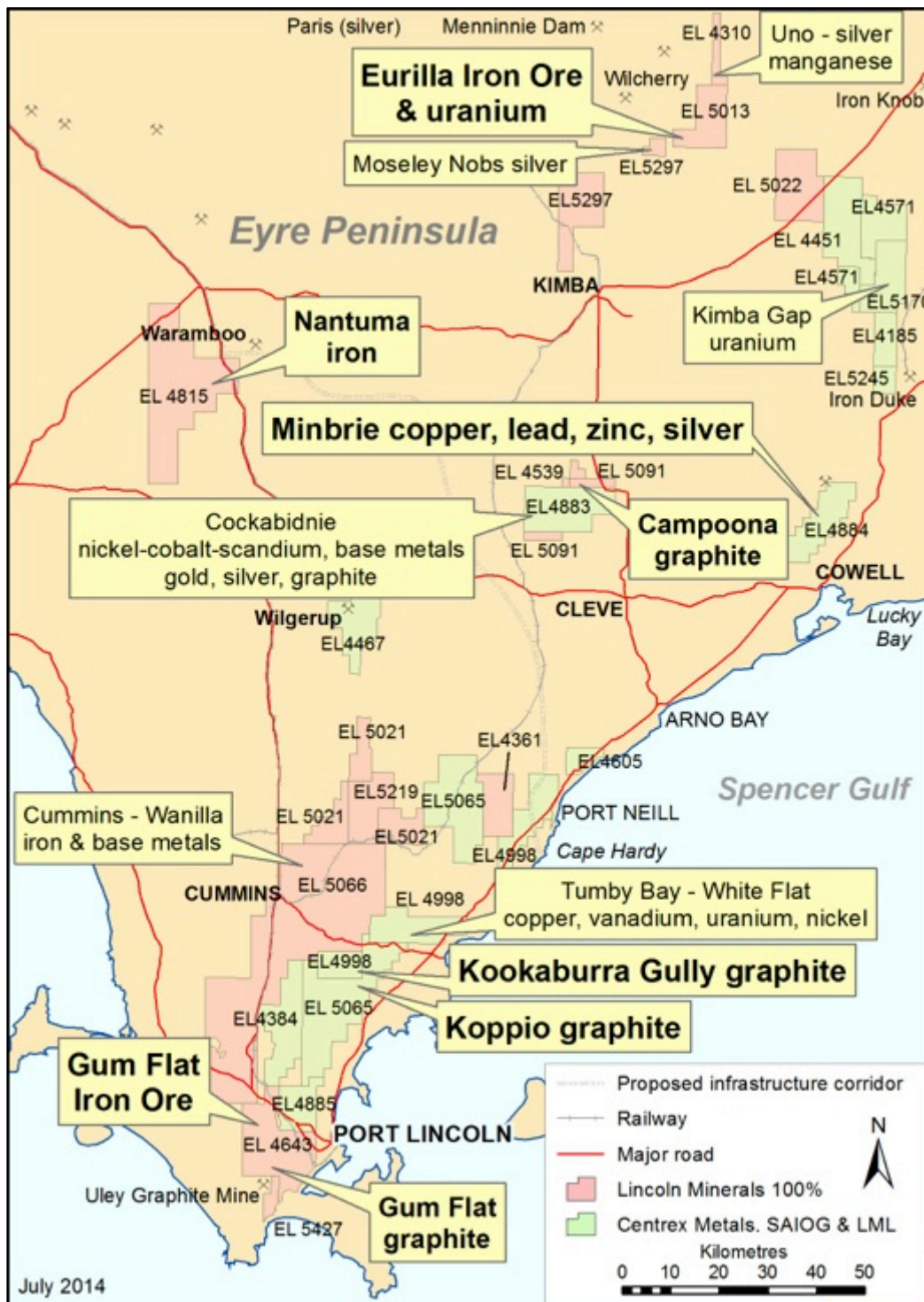


Figure 6: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements.

Note, on all Centrex/SAIOG tenements shown on this map + EL 4539, LML and its wholly owned subsidiary, Australian Graphite Limited (AGL), have the rights to all minerals except iron

Exploration License data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 24 July 2014, [http://www.minerals.statedevelopment.sa.gov.au/geological\\_survey\\_of\\_sa/data](http://www.minerals.statedevelopment.sa.gov.au/geological_survey_of_sa/data)