

# Quarterly Activities Report

## March 2016

22 April 2016

### Key Points

#### Advancing key Graphite Projects on South Australia's Eyre Peninsula

- SA's Department of State Development has advised that a mineral lease offer determination for the Company's wholly-owned proposed flagship Kookaburra Gully Graphite Mine should be made early in May 2016
- The Kookaburra Gully flake graphite deposit remains in the global Top 10 graphite deposits (including China) based on grade
- In anticipation of a ML offer, Lincoln has commenced preparation of a Program for Environmental Protection and Rehabilitation (PEPR) for the Kookaburra Gully graphite project:
  - An independent review of geochemical data and assessment has been completed
  - Geotechnical diamond core drilling, construction of groundwater monitoring wells, engineering soil test work and other engineering site surveys commenced in March-April 2016
  - Scopes of Work prepared for further metallurgical and pilot plant test work, transport route design and tailings storage facility design
- Memorandum of Understanding (MoU) signed with the District Council of Tumby Bay on SA's Eyre Peninsula supporting the Company's proposed development of the Kookaburra Gully project
- Targeting graphite production of more than 30,000 tonnes per annum from Kookaburra Gully and sales of high purity (>93% TGC) concentrate beginning in 2017



*Signing of the MoU with DCTB: from left, DCTB Mayor Sam Telfer, DCTB CEO Trevor Smith, LML MD Dr John Parker and LML Chairman Yubo Jin*

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## 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.

Following release of the Kookaburra Gully Mining Lease Proposal (MLP) by the SA Department of State Development (DSD) for public comment in September-October 2015, a Response Document was finalised by Lincoln in January 2016. This was a key milestone for Kookaburra Gully and Lincoln Minerals. It meant 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.

Although the Company was originally advised by DSD that the Government assessment process would be completed and a mining lease offer determination would be advised in March 2016, the Government has extended the process until early in May 2016. It is the benchmark from which Lincoln will be able to springboard real-time project financing, detailed design and engineering, development, and off-take negotiations and agreements.

Nevertheless, preparation of a Program for Environmental Protection and Rehabilitation (PEPR) has commenced for Kookaburra Gully. Geotechnical diamond core drilling at the proposed mine site and further engineering studies, soil testing and construction of groundwater monitoring wells should be completed in April 2016. These will enable more detailed design of the proposed pit, tailings storage facility and other proposed infrastructure. Scopes of Work have also been prepared for other key infrastructure studies including the transport route, metallurgical and pilot plant test work for final process plant design, and tailings storage facility design.

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, it 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 completion of the PEPR are scheduled for the latter 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 early in 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 2016-17.***



*Geotechnical diamond core drilling at Kookaburra Gully, March-April 2016*

## 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 mining proposal 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. It is also easily upgraded to >99.5% TGC by conventional acid leaching.

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.

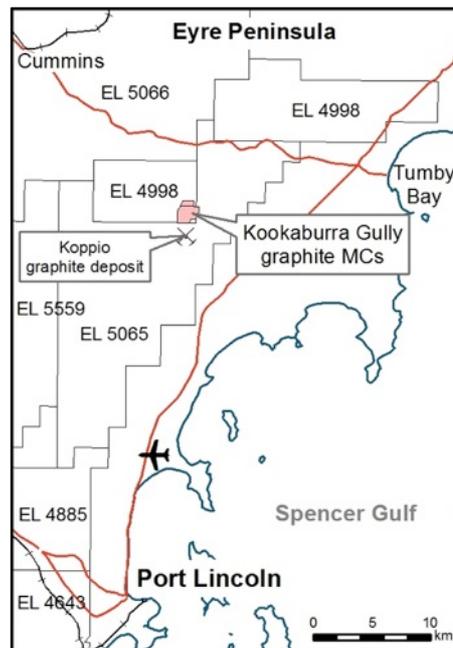
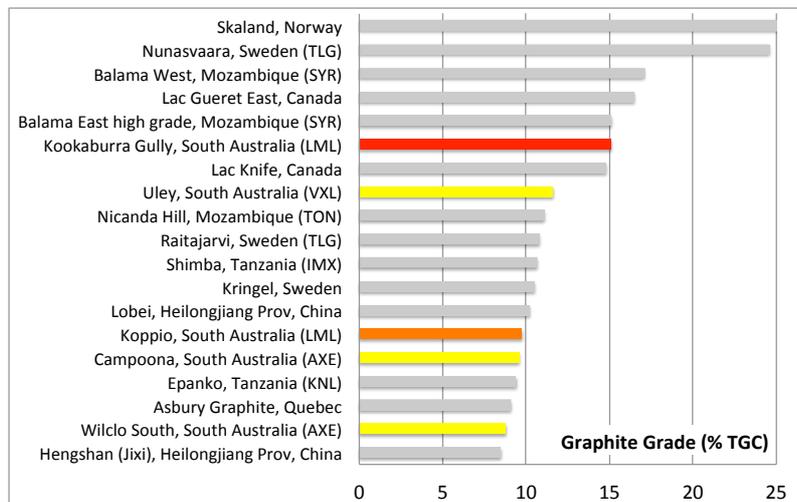


Figure 1: location of AGL's Kookaburra Gully Graphite Project and Koppio graphite deposit



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.

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) (see *LML Quarterly Report for December 2015*).

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.

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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 drilling is scheduled after harvest early in 2017.**

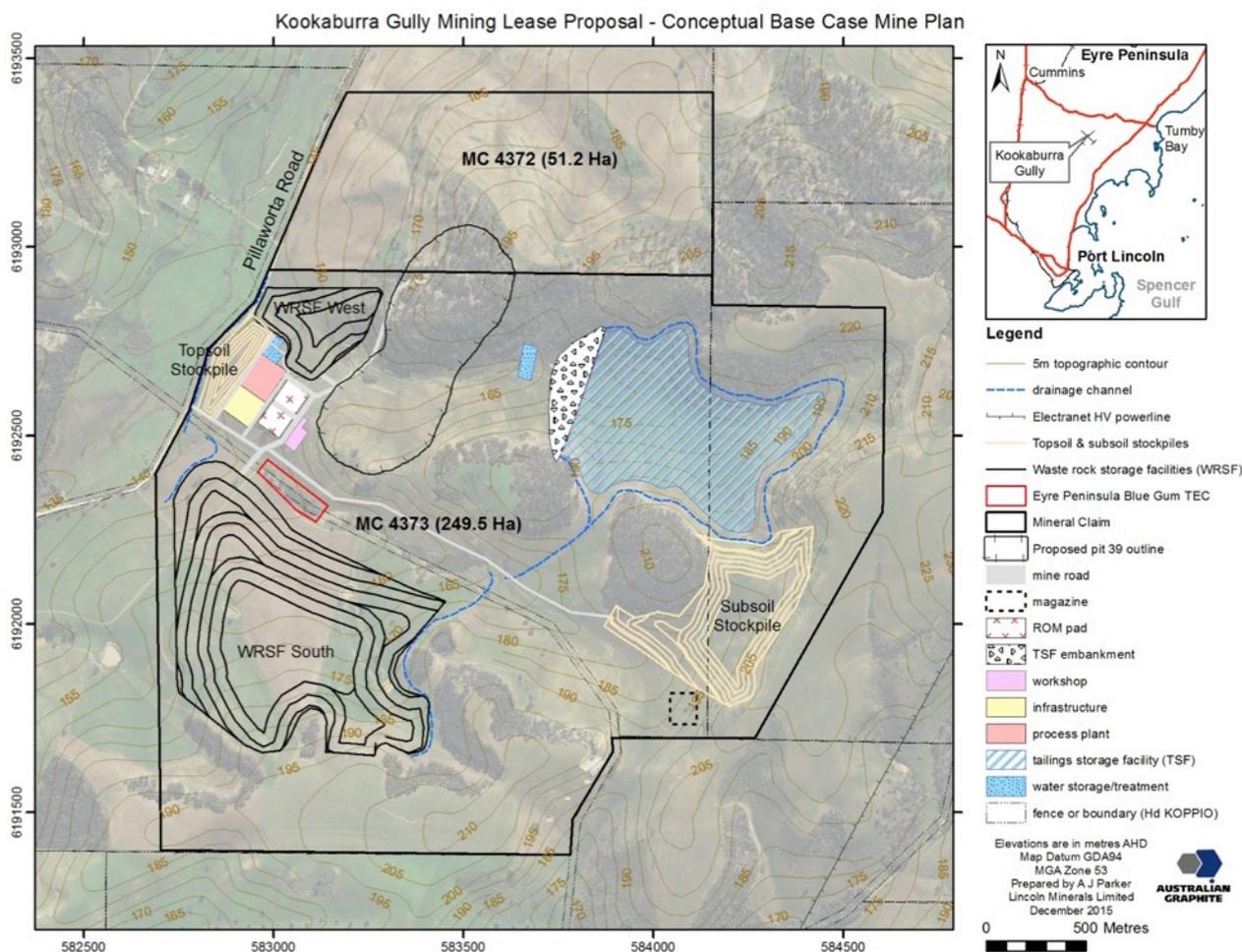


Figure 2: Location of proposed Kookaburra Gully mine plan

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](http://www.lincolnminerals.com.au).

## 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. A further update requested by DSD was completed on 5 February 2016. This has enabled DSD to undertake a comprehensive assessment of the Kookaburra Gully mining lease proposal prior to final consideration by the South Australian Government.

The Company has been advised by SA’s Department of State Development that the Government assessment process has been extended and a mining lease offer determination should be advised by early in May 2016.

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## Program for Environmental Protection and Rehabilitation (PEPR)

Once a ML has been granted for the Kookaburra Gully Graphite Project, the final approvals step is to complete a more detailed Program for Environmental Protection and Rehabilitation (PEPR). This document is based on the ML proposal but must respond to conditions imposed by the Government in regard to the ML offer and include additional detail on environmental and rehabilitation management plans.

Despite the delays by DSD in offering a ML, LML and AGL have commenced a number of technical studies required for completion of the PEPR. Lincoln is very keen to complete the PEPR approval process by the end of 2016 and hence has fast tracked various studies to facilitate this.

Geotechnical diamond core drilling commenced at the proposed mine site in March 2016 and along with soil testing and construction of groundwater monitoring wells, should be completed in April 2016. These will enable more detailed design of the proposed pit, tailings storage facility and other proposed infrastructure.

Scopes of Work have also been prepared for other key infrastructure studies including the transport route, metallurgical and pilot plant test work for final process plant design, and tailings storage facility design.

## Memorandum of Understanding (MoU) with District Council of Tumby Bay

A Memorandum of Understanding (MoU) with the District Council of Tumby Bay (DCTB) on SA's Eyre Peninsula was jointly signed on 6 April 2016 by the Mayor and CEO of the DCTB and the Chairman and Managing Director of Lincoln.

The agreement supports the Company's proposed development of its wholly-owned Kookaburra Gully graphite mining project on the Eyre Peninsula.

In view of the strategic importance of the Council in relation to road, power and water infrastructure for the Kookaburra Gully mine project, the parties have entered into a MoU which provides a framework for both parties to genuinely work together.

The outcomes include agreement on a proposed water pipeline from the Tod Reservoir, upgrading and maintenance of Pillaworta Road and intersections with Bratten Way and the Lincoln Highway, preparation of a Traffic Management Plan for trucking operations and local commuters, and continuing engagement with the local community in regard to business and employment opportunities.

The signing of the MoU shows the willingness of the Council and Lincoln Minerals to collaborate in order to achieve maximum benefits for this new mining opportunity for the Tumby Bay region through upgrading of roads, increasing business and employment opportunities, achieving improved environmental and social outcomes and reinforcing relationships already developed.

## Other SA Projects

Due to the Company's 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](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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## CORPORATE

At 31 March 2016, Lincoln had approximately A\$0.72 million in cash at bank. Exploration and evaluation expenditure by the Company during the March 2016 quarter was A\$257,000.

During the Quarter, Mr James Tenghui Zhang was appointed a Non-Executive Director to the Board of Lincoln Minerals.

Mr Zhang has spent more than 20 years in real estate development and business management in China and Australia, and has developed extensive experience across a wide variety of areas, including funding of real estate, infrastructure, property development and enterprise management. His experience extends across Australia, mainland China and Hong Kong.

Mr Zhang is also the Director of Shanghai Jihai Investment Ltd. Co. In China, the company is a member of the Asset Management Association of China (AMAC) and responsible for a number of significant M&A.

Mr Zhang will provide crucial support to Lincoln Minerals at a time when funding will be vital for development of the Company's graphite mining opportunities.

### Board and Management

**Yubo Jin** Chairman (Non-Executive)

**Dr A John Parker** Managing Director

**Eddie Lung Yiu Pang** Director (Non-Executive)

**James Tenghui Zhang** Director (Non-Executive)

**Jarek Kopias** Company Secretary / CFO

**Dwayne Povey** Chief Geologist

### Securities on Issue

Ordinary shares at 31 March 2016	268,386,949
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### Tenements

During the quarter, the following exploration licences were renewed: EL 4605 (in full as EL 5712), EL 4815 (24.7% reduction), EL 5066 (in full – area was reduced in previous quarter) and EL 5021 (in full).

Following these renewals, the Company now holds exploration rights to South Australian lease holdings totalling 3,186 square kilometres, all on Eyre Peninsula.

A subsequent EL has been applied for for EL 4643 (38.5% reduction).

The status of all ELs as at 31 March 2016 including SAIOG and CXM ELs, is shown in the following table and map.

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## Tenement List

Tenement	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Graphite Rights	Iron Ore Rights	Other Mineral Rights
<b>LINCOLN MINERALS (AND AGL) HAS OWNERSHIP OF ALL MINERAL RIGHTS</b>							
EL 5013	28-Jan-17	98	Eurilla (Lake Gilles)	LML	LML 100%	LML 100%	LML 100%
EL 5066	12-Feb-17	589	Vanilla	LML	AGL 100%	LML 100%	LML 100%
EL 5021	11-Feb-17	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-16	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					
<b>LML AND AGL HAVE OWNERSHIP OF ALL MINERAL RIGHTS EXCLUDING IRON ORE **</b>							
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 5559	15-Nov-16	138	Vanilla (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 5712	16-Nov-17	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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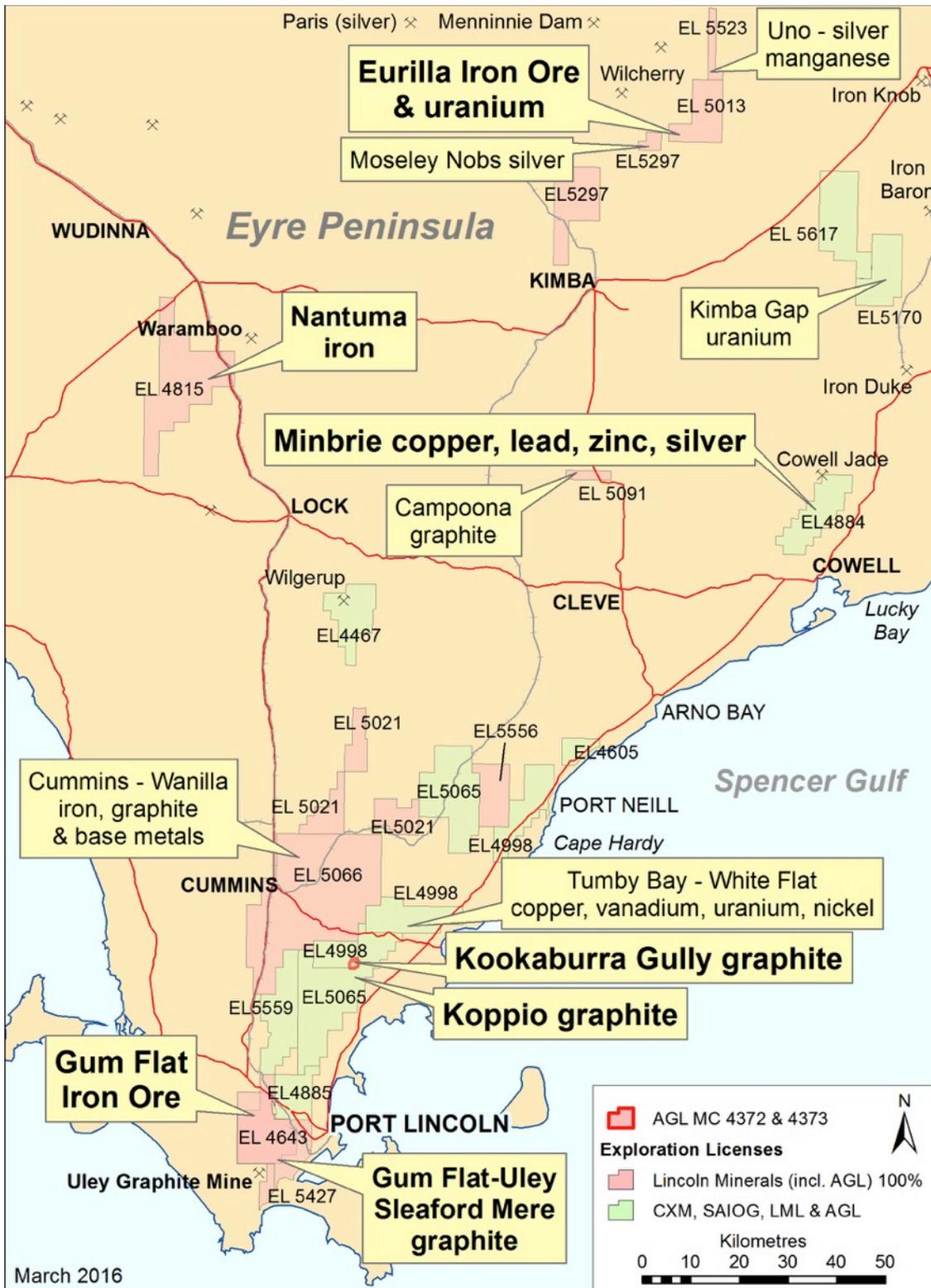


Figure 3: Location of Lincoln Minerals' Eyre Peninsula (SA) tenements.

Exploration Licence data based on the Department of State Development, the Government of South Australia, Geoscientific Data, Sourced on 10 March 2016

[http://www.minerals.statedevelopment.sa.gov.au/geological\\_survey\\_of\\_sa/data](http://www.minerals.statedevelopment.sa.gov.au/geological_survey_of_sa/data)