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Company Information

ASX Code	LML
Share Price (27 April 2015)	A\$0.04
Ord Shares	268.4m
Options	0m
Performance Shares	0m
Market Cap (FD)	A\$10.74m
Cash (31 March 2015)	A\$1.19m
Total Debt	A\$0m
Enterprise Value	A\$9.55m

Directors & Management

Non-Exec Chairman	Jin Yubo
Managing Director	John Parker
Non-Exec Director	Eddie Lung Yiu Pang
Non-Exec Director	Alex Hooi-Kiang Lim

Company Details

Address	Suite 4, Level 7 350 Collins Street Melbourne, VIC 3000
Phone	+613 9600 0782
Web	www.lincolnminerals.com.au

Top Five Shareholders

Poan Group Holdings	13.85%
Everchance Int. Ind. Ltd	7.45%
High Treasure International Ltd	5.59%
Wynnwood Pty Ltd	4.03%
HSBC Custody Nominees (Aust)	3.68%
Top 20	61.3%

1 Year Price Chart



Source: IRESS

Lincoln Minerals Limited (LML)

Moving Towards Development

Recommendation: Speculative BUY

Key Points

- **Kookaburra Gully Graphite Project progressing towards development**
- **Well placed to take advantage of forecast graphite demand increases**
- **High grade at 15.1% total graphitic carbon ("TGC"), with potential to produce a premium high purity, battery quality product**
- **Simple open cut mining and industry standard flotation operation planned**
- **Well served by infrastructure in a mining-friendly jurisdiction**
- **Additional portfolio of tenements highly prospective for a wide range of commodities**

Having recently lodged the Mining Lease application, Lincoln is looking towards developing their 100% owned Kookaburra Gully Graphite Project. Recent work has included drilling over the nearby historic Koppio Graphite Mine, and drilling is planned on the Kookaburra Gully Extended prospect, immediately to the south of Kookaburra Gully, supported by a SA Government PACE grant.

The results of this work, and the subsequent resource estimations, are expected to significantly increase the current high grade resource of 2.2Mt @ 15.1% TGC, already sufficient to support a seven year mine life.

The Company is now working closely with Chinese partners, including very supportive major shareholders to secure offtake and funding agreements for the estimated \$40.4 million project and as part of this is planning pilot plant scale testwork to verify the positive metallurgy and produce concentrate samples to supply to potential customers.

We rate Lincoln as a SPECULATIVE BUY, with short to medium price movers being positive results from drilling and resource estimations, positive results from the pilot plant work and granting of a Mining Lease. Longer term rises could be expected from successfully negotiating offtake and funding.

Company Overview

Lincoln is an ASX-listed company concentrating efforts on developing the Kookaburra Gully Graphite Project located on the southern Eyre Peninsula in South Australia, with production targeted for 2016.

In addition to Kookaburra Gully, the Company has a number of other prospective tenements, all located on the Eyre Peninsula of South Australia. These tenements include Gum Flat, which has a development ready iron ore project and others that have returned positive exploration results for base and precious metals, uranium, additional graphite and iron ore.



Investment Thesis

Road to Production

Developing the high grade Kookaburra Gully Graphite Project in South Australia

Lincoln Minerals (ASX: LML, “Lincoln” or “the Company”) is concentrating efforts on developing its 100% owned Kookaburra Gully Graphite Project on the Eyre Peninsula of South Australia, with initial production planned for 2016, and with a Mining Lease application recently lodged.

Timed to Take Advantage of a Growing Market

Timing is right to enter the expanding graphite market

The Company is in position to take advantage of a forecast growth in the graphite market, driven largely by forecast demand increases for batteries, the expected decrease in supply from China, and the wish of customers to diversify sources of supply.

High Quality Resource, Simple Mineralisation

Mineralisation at Kookaburra Gully is simple and high grade, and can produce a high quality concentrate

At a grade of over 15% TGC in flake graphite, Kookaburra Gully is one of the top 10 graphite resources globally, and one of the highest grade resources for ASX listed companies. Mineralisation is simple, being hosted in a graphitic schist, and metallurgical testwork has demonstrated that a high grade (+94%), low contaminant concentrate can be produced that should be readily marketable.

Preliminary leach testwork has demonstrated that the concentrate can be upgraded to 99.9% purity, making it potentially suitable for the growing battery market.

Current JORC-compliant resources are sufficient for a 7 year, +30,000tpa concentrate operation, with excellent potential for resource expansion to support a long term operation.

Excellent Resource Expansion Potential

Excellent potential for resource expansions

The published resource is open along strike, and, in addition, drilling at the adjacent Koppio Mine has outlined similar mineralisation over a strike length of 525m, with an initial resource expected soon. Other tenements held by the Company also contain graphite occurrences that will require follow up.

Simple, Economically Viable Operation

Scoping work has outlined a simple, economically viable operation

The conceptual operation will involve simple open cut mining, with initial free dig down to around 30m and drill and blast after that. Treatment would be through an industry standard comminution and flotation circuit.

Work by independent consultants has indicated capital costs in the order of \$40.4 million for a 250,000tpa ROM operation, with operating costs of between \$630 and \$700 per tonne of concentrate.

Currency Rates Should Improve the Economics

Economics improved by recent falls in the Australian dollar

Pit optimisations were carried out on two graphite basket prices – A\$1,077/tonne and A\$1,382/tonne of concentrate, and at an \$A/\$US exchange rate of 0.92. Subsequent falls in the exchange rate, which in our view are now around typical mid-cycle levels, should significantly increase margins on the project.

Ready Access to Infrastructure

The project is well served by infrastructure

One factor that helps the economics is the ready access to infrastructure. The southern Eyre Peninsula is well served, with nearby access to roads (and ports) and water, with onsite power generation to be augmented by access to the nearby grid.



The Eyre Peninsula, and South Australia are excellent addresses for exploration and production

Excellent Address

The Eyre Peninsula hosts Valence Industry's Uley Graphite Mine, Australia's only current graphite producer, and also hosts a number of other exploration and development projects in a broad range of commodities. South Australia is one of Australia's most mining friendly jurisdictions, ranked at number 19 in the Fraser Institute's 2014 global survey of mining companies, second only to Western Australia amongst the Australia mining jurisdictions.

High Quality Property Portfolio

In addition to Kookaburra Gully, Lincoln holds a portfolio of tenements prospective for a wide range of metals. These include the near development Gum Flat iron ore, and Minbrie, which has returned excellent base metal drilling results.

Lincoln Minerals Peer Group

Lincoln is one of a number of ASX graphite developers (and one producer, Valence), as presented below. This shows the relatively high grade of Kookaburra Gully, and the potential, when compared with peers, particularly Valence and Kibaran, for the enterprise value to increase significantly as key milestones are met, resources expanded and the project moves towards production.

Lincoln Minerals Peer Group

Company	EV (FD) (\$Am) ¹	Project	Global JORC Resources	Stage/Quality ²
Syrah Resources	\$632	Balama Graphite-Vanadium Project, Mozambique	1,150Mt @ 10.2% TGC 117Mt	Studies for up to a 220,000tpa operation, testwork indicates a flotation concentrate up to 97% TGC, with 41% medium flake or larger. Offtake agreements in place
Triton Minerals	\$136	Balama and Ancuabe, Mozambique	1,457Mt @ 10.7% TGC 155.75Mt	Projects immediately to north and south of Syrah Resources. Potential for a +94% con. 20 year offtake agreement. 85% large flake at Ancuabe
Magnis Resources	\$120	Nachu, SE Tanzania	156.9Mt @ 5.3% TGC 8.35Mt	Initial work indicates potential to produce a 94% concentrate, with 50% of con medium flake or larger
Valence Industries	\$86	Uley, South Australia	3.21Mt @ 11.5% TGC 0.37Mt	Currently producing from stockpiles, con grade >95%, transitioning to open pit production, with sales contracts in place. Planned production expansion to 64,000tpa by 2019
Talga Resources	\$54	Various, Sweden	11.9Mt @ 18.2% TGC 2.16Mt Includes: 7.6Mt @ 24.44% TGC at Nunasvaara	Has five project areas in northern Sweden, various sizes up to jumbo
Kibaran³	\$28	Mahenge (Epanko), Arusha-Merelani, Tanzania	22.7Mt @ 9.83% TGC 2.23Mt	Feasibility at Epanko in southern Tanzania, MoU for asset consolidation at Merelani in north. Medium to coarse flake, >94% TGC, 74% medium or larger at Epanko. Offtake agreements in place
Lambo Resources	\$15	McIntosh, WA, South Korea	13.01Mt @ 5.0% TGC 0.65Mt	Scoping at McIntosh, drilling Sth Korea. Medium to coarse flake, testwork to date >90% TGC concentrates, with 28% of con medium flake or larger
Sovereign Metals	\$13	Central Malawi	85.9Mt @ 7.1% TGC 6.13Mt	Exploration on Central Malawi Graphite Project. Preliminary testwork indicates >64% of con medium flake or larger
Lincoln Minerals	\$10	Kookaburra Gully, Eyre Peninsula, South Australia	2.20Mt @ 15.1% TGC 0.33Mt	Working towards development. Con grade >94%, 41% medium flake or larger
Black Rock Mining	\$7	Mahenge, Southern Tanzania	Exploration	Recently acquired exploration tenements adjacent to Kibaran
Bora Bora	\$7	Matale, Paragoda, Sri Lanka	Exploration	Exploration around historic vein style workings. Expected grades >95% TGC
Archer Exploration	\$5	Campoona, Eyre Peninsula, SA	8.55Mt @ 9.01% TGC 0.77Mt	Flotation testwork has produced ultrafine to fine flake >94% TGC concentrate

Source: IRESS, Company reports, values as of close of business, Monday April 27, 2015

1. Here the enterprise value is the enterprise value of the company as a whole and not of the graphite projects alone.
2. Quality data from a number of projects is from preliminary testwork only
3. KNL EV allows for current capital raising



Risks

As in any resources stock there are a number of risks – ones currently pertinent to Lincoln are discussed below.

*Securing funding and
offtake agreements are
the key risks*

- **Funding and Offtake** – Securing offtake agreements and funding the project are the key hurdles now facing Lincoln, and particularly so given the current tight capital markets. We note the Company is working through their Chairman and major shareholders to address this and has become a 25% shareholder of the Qingdao International Graphite Exchange Centre. Also the recent positive history of other graphite developers in advancing these aspects of their projects shows that there is good interest in the sector. We also expect that shorter term funding for working capital will soon be required.

*The main technical risk
we see is the mix of
graphite flake sizes*

- **Resource grade and tonnage** – Given the relatively simple and homogenous nature of the mineralisation we see little grade and tonnage risk. This extends to the exploration targets, with drilling to date showing that Koppio has the potential to add significantly to the overall project resource, and add to potential mine life. Overall TGC grades are good – they compare very positively to other ASX listed graphite developers (and producers in the case of Valence).

- **Graphite Quality** – in our view, this is the key technical risk and one that may affect potential project economics. The overall concentrate grade, at +94% TGC is fine, being on par with other potential operators. Also, further testwork indicates that a final product of +99.9% TGC can be achieved through simple acid leaching, again positive, and giving the capacity to produce a battery grade product. Testwork to date has however resulted in flake sizes smaller than some peers, with the concomitant potential decrease in value. However upcoming pilot plant testwork may result in a larger size mix, and the high grade and purity of the resource does partially mitigate the economic implications of a lower size end product.

- **Price, Exchange Rate and Market Risk** – This is a key risk for any resources project, and one which companies have little or no control over. Recent falls in the Australian dollar work in the project's favour, and forecast rising demand and resultant price increase for at least the larger graphite flake sizes will help mitigate this risk.

- **Exploration** – This is a risk with all companies carrying out exploration – results to date on Kookaburra Gully and other graphite prospects however have been very positive, with relatively low exploration risk.

- **Permitting** – South Australia's Mining Lease application process, which includes discussions and need for a number of key aspects to be finalised before a final application is lodged, means that this risk has been somewhat mitigated in the case of Lincoln. The relevant authorities have also provided a timeline for the permitting process.

*Permitting risk has been
somewhat mitigated*

- **Sovereign Risk** – South Australia is a well understood and mining friendly jurisdiction, with a history of pro-actively supporting resources projects.



Project and Activities Review

Introduction and Strategy

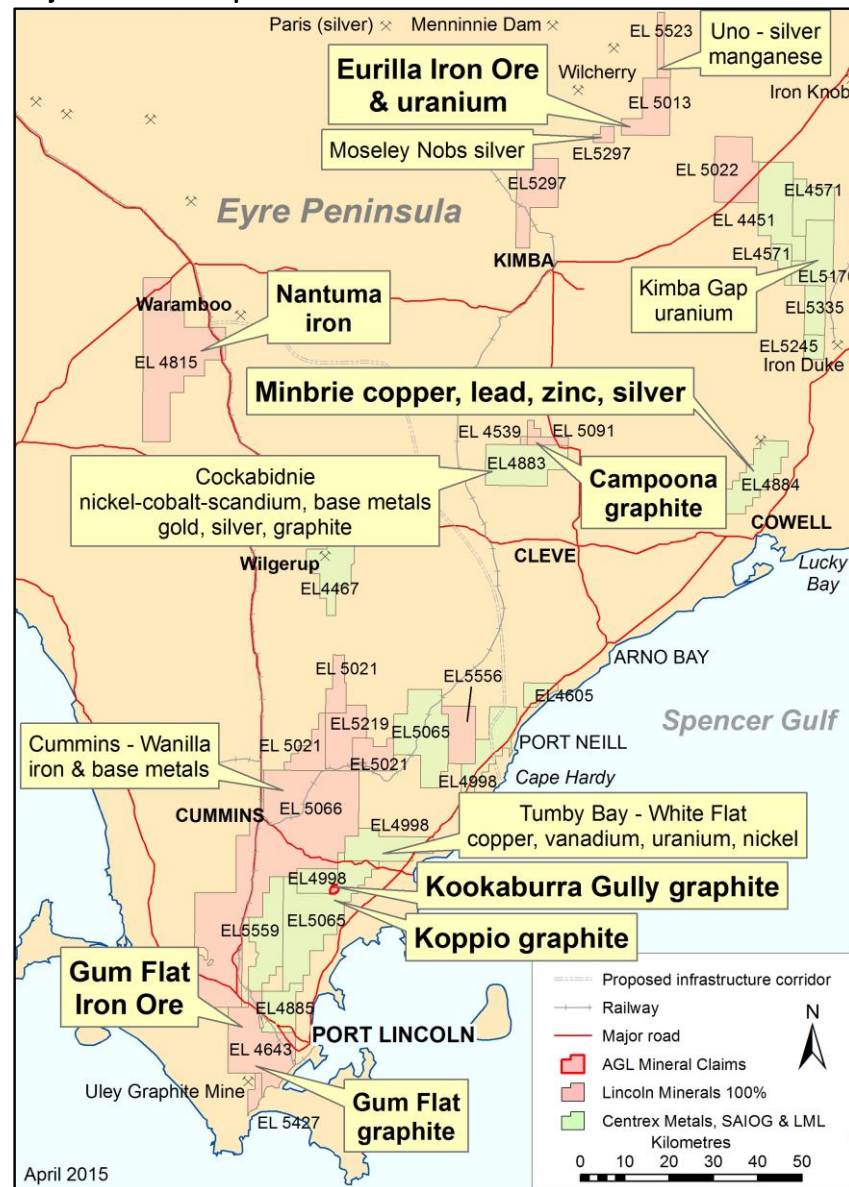
Key Project is the Kookaburra Gully Graphite Project in South Australia

Lincoln, through its wholly owned subsidiary Australian Graphite Pty Ltd (“AGL”) is targeting development of its 100% held Kookaburra Gully Graphite Project, located approximately 35km north of Port Lincoln on the southern Eyre Peninsula of South Australia. This is one of a number of projects in tenements totalling 4,063km² that include:

- Kookaburra Gully
- Gum Flat
- Cockabidnie
- Minbrie
- Eurilla
- Nantuma
- Kimba Gap (Stony Hill)

Project locations and main target commodities are shown below.

Project Location Map



Source: Lincoln Minerals

The portfolio includes a number of other tenements, prospective for a broad range of commodities



The tenements comprise two groups, those held 100% by Lincoln, and a group held by the ASX listed Centrex Metals Limited ("Centrex") and the South Australian Iron Ore Group ("SAIOG", a subsidiary of Centrex), where all mineral rights except for iron ore have been ascribed to Lincoln and AGL.

Lincoln's key strategy is to develop the Kookaburra Gully deposit to produce +30,000tpa of high purity graphite concentrate, and once this is up and running develop other key graphite projects within its holdings.

Kookaburra Gully Graphite Project

Introduction and Tenure

Kookaburra Gully is located on Mineral Claims MC4372 and MC4373 within exploration licenses EL4998 and EL5065, 35km from the regional centre of Port Lincoln, with the exploration licensee being SAIOG. SAIOG holds the iron ore rights, with Lincoln and AGL holding the rights to all other minerals; AGL holds the rights to graphite. The tenements are located on freehold farm land, and in addition to the Kookaburra Gully resource host the historic Koppio Graphite Mine.

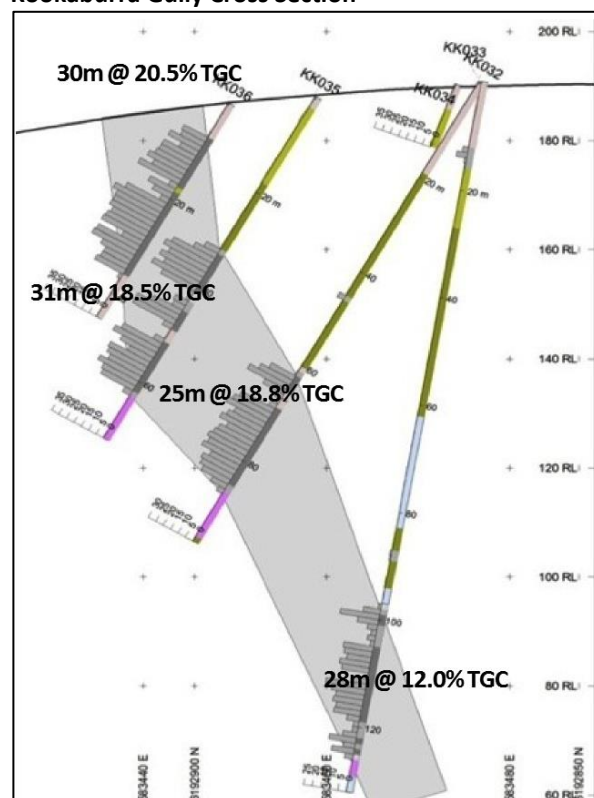
Kookaburra Gully was originally identified by Pancontinental Mining in the 1980's.

Geology and Resources

Mineralisation at Kookaburra Gully, like the majority of other Eyre Peninsula graphite deposits, is hosted in the Paleoproterozoic Hutchison Group metasediments. The high grade upper amphibolite to granulite facies metamorphism has formed the coarse flake graphite within graphitic schists.

The Kookaburra Gully resource, which comprises one main and a number of subordinate parallel lenses strikes north-east for around 700m, and dips steeply to the south-east, with an average true width of 16-20m. Mineralisation is open along a 4km strike length electromagnetic (EM) target and down dip, where it has been intersected to a depth of at least 125m.

Kookaburra Gully Cross Section



Source: Lincoln Minerals

Kookaburra Gully is located 35km from Port Lincoln

Mineralisation is hosted in graphitic schists of the Hutchison Group

Mineralisation is still open along strike and at depth

Mineralisation is up to 20m in true thickness, and has been intersected to a depth of 125m



The current JORC-compliant Mineral Resource (JORC 2012), as defined by 3,904m of largely aircore drilling is shown in the table below. Significant intercepts included 9m @ 27.7% TGC and 30m @ 20.46% TGC.

The current resource is 2.2Mt grading at a high 15.1% TGC

Kookaburra Gully Resources – 5% TGC Cutoff

Resource Classification	Tonnage (Mt)	Average Grade (% TGC)	Contained Graphite (tonnes)	Density (g/cc)
Indicated	1.47	13.9	204,352	2.57
Inferred	0.73	17.3	127,425	2.52
Total	2.20	15.1	331,778	2.55

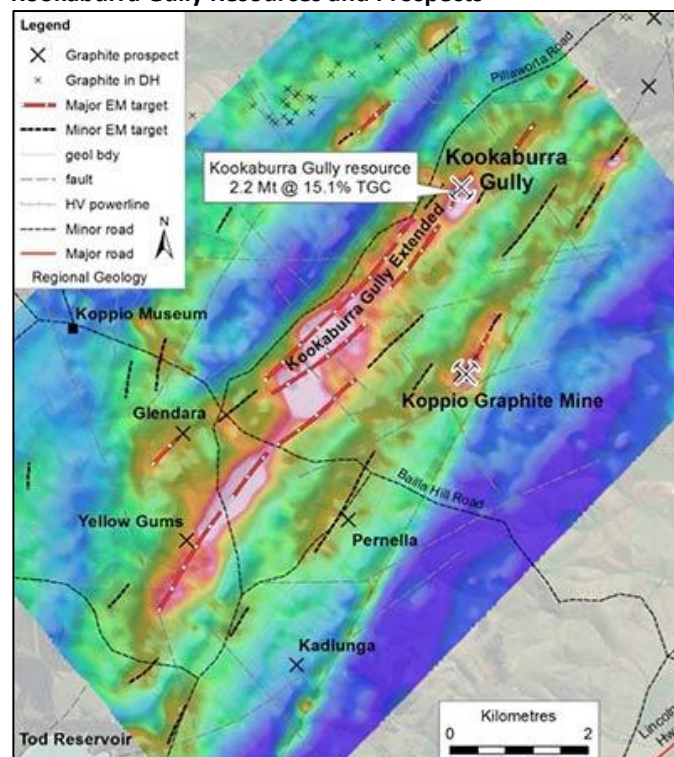
Source: Lincoln Minerals

This resource is within the top 10 global graphite resources based on grade.

Exploration Potential

The project has excellent resource expansion potential, with an exploration target of between 32.6 and 94.1Mt (including the Kookaburra Gully resource) grading at between 7-15% TGC in a number of prospects. These include amongst others the historic Koppio Graphite Mine and Kookaburra Gully Extended.

Kookaburra Gully Resources and Prospects



Source: Lincoln Minerals

There is considerable scope for resource expansion, with results of recent drilling at Koppio confirming this, and a number of other drill ready prospects

In July 2014 the Company completed an initial 20 hole, 1,679m aircore and RC drilling programme over Koppio, located some 3km south of Kookaburra Gully.

Drilling at Koppio has returned excellent results

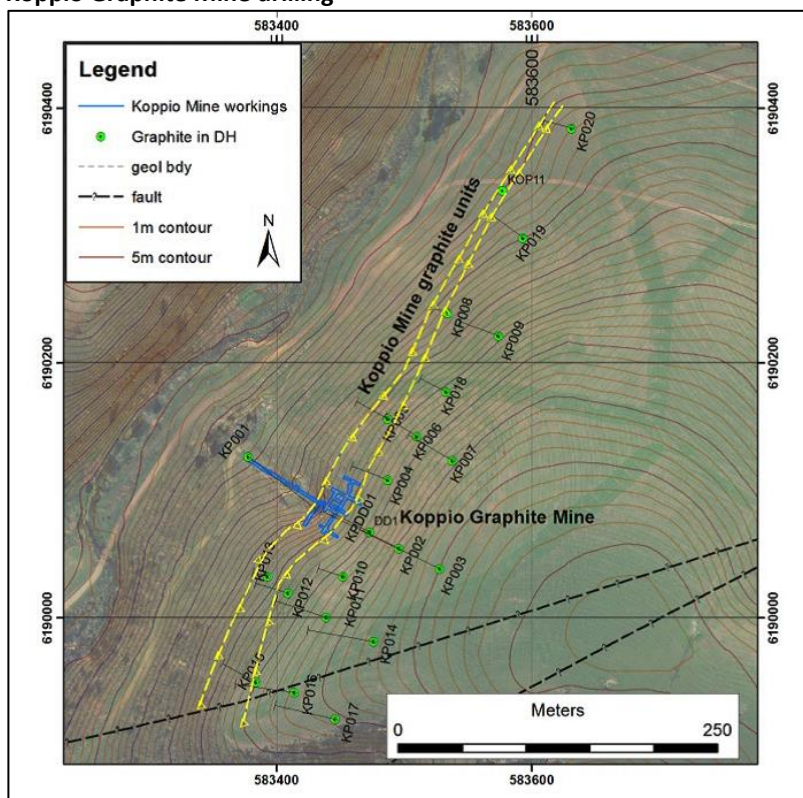
This defined a strike length of over 525m, open to the north and south, with very encouraging results. Intervals of up to 28m grading at 10.05% TGC were intersected, with individual 1m splits assaying up to 42.8% TGC. Graphite has been intersected to a depth of 100m in a number of complexly folded lenses, with an aggregate true width in the order of 15m at the southern end of the prospect

An initial resource estimation for Koppio is expected Q2, 2015.

The other primary target, Kookaburra Gully Extended is expected to be drilled in 2015, with a resource estimation expected in Q1, 2016. This is being partly funded by a state government Plan for Accelerating Exploration ("PACE") grant.



Koppio Graphite Mine drilling



Source: Lincoln Minerals

550m of strike has been drilled at Koppio to date

Metallurgy

Metallurgical testwork has been completed on two drill and two trench samples as reported to the market on January 6, 2014. Results are shown in the table below.

Kookaburra Gully metallurgical test results

	Aircore Sample A		Aircore Sample B		Trench Sample C-1		Trench Sample C-2	
Depth below ground	28-38m		43-67m		1-2m		1-2m	
Graphite Recovery	91.2%		98.1%		75.5%		63.8%	
Total Con Grade	93.7% TGC		94.3% TGC		97.3% C		97.0% C	
Screened Con	Assay	Dist.	Assay	Dist.	Assay	Dist.	Assay	Dist.
	TGC%	%	TGC%	%	TGC%	%	TGC%	%
+150 µm	95.3	2.9	96.5	2.3	97.8	8.9	94.8	24.3
+106 µm - 150 µm	95.3	7.3	96.5	6.3	97.5	14.1	97.0	16.2
+75 µm - 106 µm	94.4	11.1	96.5	10.0	97.1	23.1	97.5	23.8
+20 µm - 75 µm	94.3	61.2	95.8	50.8	96.7	47.3	97.6	34.0
-20 µm	90.4	17.5	90.7	30.7	94.5	6.6	93.4	1.7

Source: Lincoln Minerals

Metallurgical testwork indicates that a high grade and purity graphite concentrate can be produced

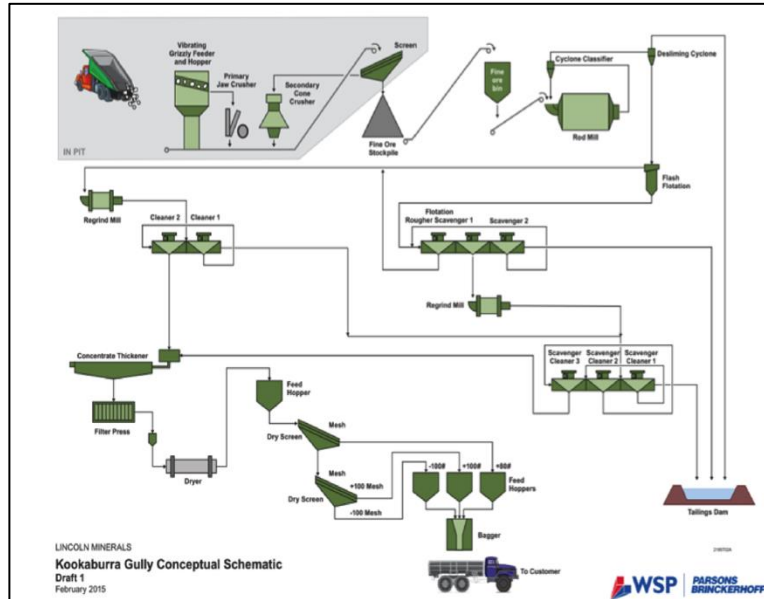
The testwork has demonstrated that high grade concentrates (>94% TGC) can be produced from simple comminution and flotation – the testwork concluded that a four stage rougher and cleaner flotation circuit would be suitable.

Size distribution from the aircore samples should be considered non-representative due to grinding from drilling

The differences in flake distribution between the aircore and trench samples relate to grinding of material during drilling, thus leading to a finer, and non-representative bulk sample from the aircore samples. Secondly, the flotation of the drill samples was aimed towards optimising recovery, and that for the trench samples was aimed towards optimisation of flake size.

Preliminary acid leach testwork has shown that a 99.9% TGC concentrate can be produced. Should other factors, including suitability for the production of spherical graphite be positive, this has the potential to produce a premium battery quality product.

Kookaburra Gully conceptual processing plant layout



Source: Lincoln Minerals

Scoping Study and Development

Plans are to progress to a small scale 250,000tpa open pit operation in CY16, producing up to 40,000tpa of high grade (93-98% TGC) graphite concentrate. To this end a Mining Lease Application was formally lodged in February 2015, with approval expected late in CY15.

Coincident with the ML approval process, the Company is looking at options for pilot plant testwork which will be used to confirm metallurgical characteristics of the ROM material, and produce concentrates of different sizes to provide to potential customers.

The preferred option is to send parcels of ore to China – the Company has access to processing facilities in Shanghai and Qingdao – with a bulk sample of between 2 and 200t planned. This can be trucked to Adelaide, containerised and shipped to China for a modest cost.

The conceptual plans have been developed from a scoping study that was completed by Parsons Brinkerhoff ("PB") in September 2012, which demonstrated relatively low operating costs and capex for a base case 200,000tpa ROM operation. Revised costings were released to the market on April 8, 2013.

This work was followed by pit optimisations and preliminary mine planning for a conceptual 250,000tpa operation, carried out by AMC Mining Consultants Pty Ltd. Mining assumes free dig for the oxidised top 30m, followed by drill and blast in the fresh material, with parameters and outcomes presented below.

Kookaburra Gully 250,000 tpa conceptual study assumptions (A\$/US\$ 0.92)

Parameter	Unit	Base Case
Treatment rate	Dmt/a	250,000
Capital cost	\$m	40.4
Ore head grade	% TGC	15.1
Concentrate recovery	%	90
Concentrate grade (low-high)	% TGC	94-97
Concentrate	Dmt/a	34,229
Revenue Price assumption (low-high)	A\$/tonne concentrate	1,077 – 1,382
Pit slope	Degrees	37
Mining cost – plant feed	\$/t feed	8.91
Mining cost – waste	\$/t waste	3.06
Drill and blast cost (below 30m)	\$/t	1.39
Process plant operating cost	\$/t feed	43.20
Transport of con to Port Adelaide	\$/t concentrate	100

Source: Lincoln Minerals



Kookaburra Gully 250,000 tpa conceptual study economics (A\$/US\$ 0.92)

Scenario	Production Parameters and Results						
	Graphite price (A\$/t con)	Life (years)	Plant feed	Feed (% TGC)	Concentrate production	Concentrate % TGC	Opex (\$/t conc)
Low revenue	\$1,077	6.2	1.55 Mt	15.7	233 kt	94.0	\$630
High revenue	\$1,382	7.2	1.80 Mt	15.4	256 kt	97.0	\$704

Source: Lincoln Minerals

Infrastructure

The project is well served by infrastructure, including roads, water and power.

- Water – most water to be supplied by pipeline from the nearby Tod Reservoir, with mains/rain water to be used for final product cleaning
- Electricity – on-site generation and grid power – 33Kv generation line around 3.5km from site
- Road – sealed access to within 8km of the site then unsealed all-weather public road, with concentrate shipped in bulka bags to Port Lincoln (35km) or by container to Port Adelaide (~650km)

The project is well served by infrastructure

Offtake, Financing and Marketing

As announced to the market on September 8, 2014, Lincoln signed a co-operation agreement with a group of Chinese local governments and private enterprises to launch a graphite spot trading platform in China, with Lincoln holding 25%. The local governments include Luobei County and Pingdu, which are two of China's main graphite mining regions. The purpose of this is twofold; firstly to help market the Company's own product, and secondly to market third party product in and out of China.

In association with a number of Chinese parties, the Company has set up a graphite marketing platform

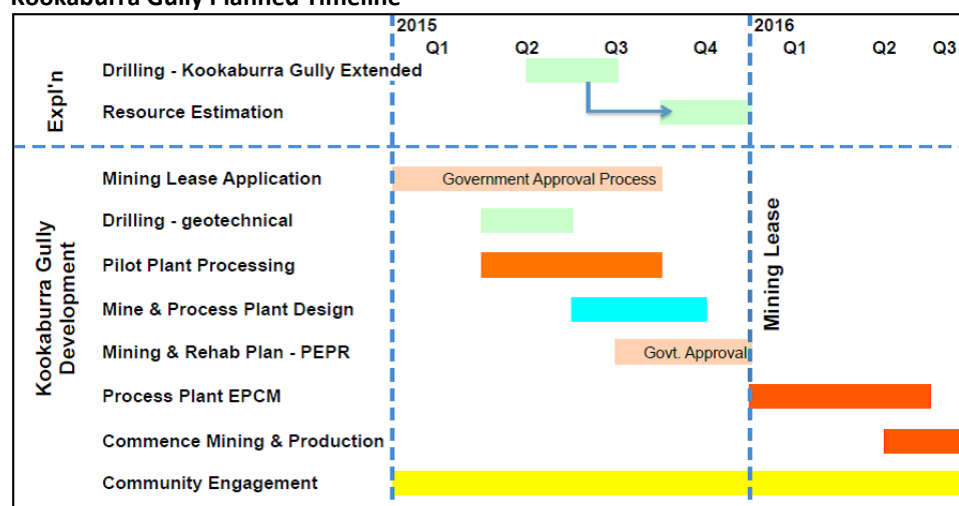
A key part of the Kookaburra Gully project is obtaining offtake agreements and financing for the proposed \$40 million development. The Company's preferred option is to attract an offtake/equity partner, and is currently speaking with a number of Chinese parties through their Chairman and major shareholders.

Lincoln is working to attract offtake and financing partners

Work Programme

The planned development programme for Kookaburra Gully is presented below. This is dependent upon financing and approvals.

Kookaburra Gully Planned Timeline



Source: Lincoln Minerals



Gum Flat Iron Ore/Graphite

Gum Flat is a development ready iron ore project, with the tenement also highly prospective for graphite

Introduction and Tenure

The Gum Flat Iron Project was the focus of the Company's activities until a few years ago, and is located in the 100% held EL4643 of 208km². The tenement is located some 15km west of Port Lincoln, and within 2km of the Uley Graphite Mine, and is also highly prospective for graphite. In 2010 Lincoln acquired the freehold land rights over the area of the proposed iron ore operation.

Geology and Resources

The project is located over folded metamorphics of the Hutchison Group, and comprises a magnetite banded iron formation ("BIF") component, and an overlying weathered and enriched hematite/goethite direct shipping ore ("DSO") body.

Total JORC 2004 iron resources total 109Mt, with an additional exploration target of 250-750Mt grading at 20-35% iron.

Gum Flat iron ore resources

Prospect	JORC Status	Tonnage (Mt)	Grade (%Fe)	DTR (%)
Barns magnetite	Indicated	12.3	26.6	22.1
Barns magnetite	Inferred	88.9	23.5	17.1
Rifle Range magnetite	Inferred	3.5	27.1	22.6
Barns hematite	Indicated	1.4	49.8	
Barns hematite	Inferred	0.7	46.0	
Rifle Range/Sheoak West hm	Inferred	2.2	39.5	
Total		109.0		

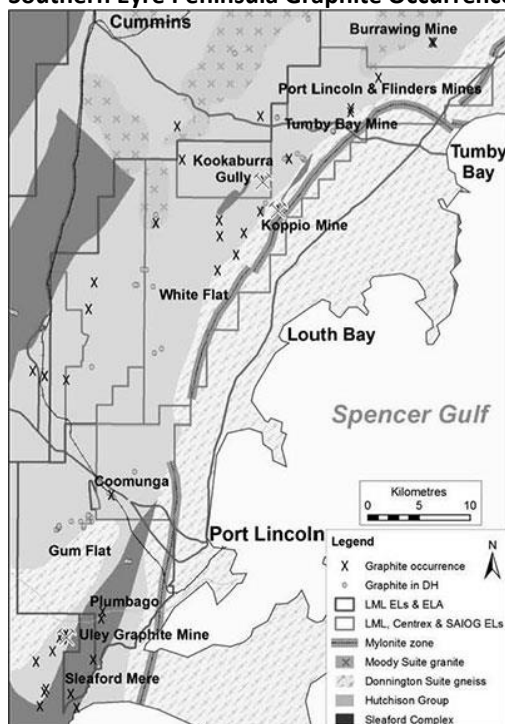
Source: Lincoln Minerals

Re-assaying of iron exploration holes has returned encouraging graphite intersections

There are numerous graphite occurrences and prospects on the Gum Flat tenement, with the graphite potential being reinforced by the proximity to Valence's Uley Graphite Mine. These occur both in the Hutchison Group and the underlying Archean Sleaford Complex. Re-assaying of holes that originally targeted iron mineralisation has returned encouraging intersections, including 13m @ 12% total carbon from 57m depth in hole GFAC022.

The Gum Flat graphite occurrences are some of many in the southern and central Eyre Peninsula

Southern Eyre Peninsula Graphite Occurrences



Source: Lincoln Minerals



The Company plans future exploration, including drilling, over a number of these prospects.

Iron Ore Scoping Study and Proposed Development

The Company has proposed a two stage open pit development for Gum Flat:

- Stage 1 – mine and export up to 250,000tpa DSO via Port Lincoln over 4-5 years, with this including upgrading 1.4Mt of lower grade (40-55% Fe) hematite
- Stage 2 – Conditional on delineation of additional resources, mine up to 10Mtpa ore to produce ~2.5Mtpa of high grade magnetite concentrate, to be exported through Port Lincoln, or alternatively, dependent on successful port development, through Port Spencer or Cape Hardy

Work was well advanced on the project in 2011, with a scoping study for phase one completed in 2010, and a Heads of Agreement signed with Jiangyin Huaxi Steel Co. Ltd ("Huaxi"), a Chinese steel producer for offtake of 50% of the iron ore production. Huaxi is still a significant shareholder through High Treasure International.

Progress was brought to a halt through delays in the grant of a groundwater licence – the project is in the Southern Basins Prescribed Wells Area ("SBPWA"). The water licence was finally granted in September 2014, and the Company is now in a position to lodge the Mining Lease Proposal, although current iron ore prices preclude development of the project at this stage.

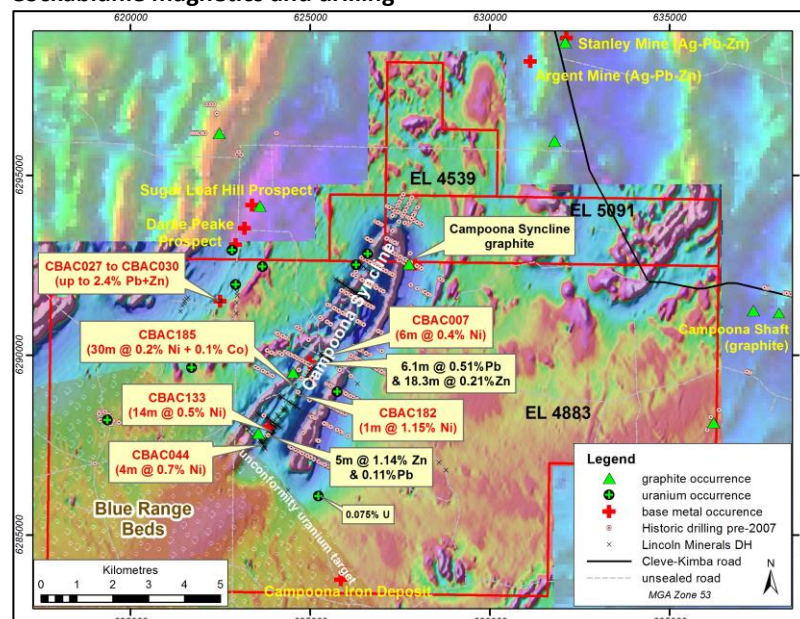
Other Projects

The Company holds a number of other projects, considered prospective for a number of commodities, including graphite, base metals, precious metals, uranium and iron ore.

Cockabidnie

Cockabidnie includes two licences held by Lincoln (EL4539 and EL5091) and one held by Centrex (EL4883). They are located approximately 50km south of Kimba in the northern Eyre Peninsula and are considered prospective for a broad range of minerals, with graphite and lateritic nickel being the main targets. The geology is dominated by the Hutchison Group metamorphics (including graphitic and calc-silicate schists) and granitic intrusives, again Paleoproterozoic in age.

Cockabidnie magnetics and drilling



A two stage strategy was planned for the iron ore project

A heads of agreement had been secured for 50% of the offtake

Development was halted through delays in the granting of the water licence

Lincoln holds a number of other projects prospective for a wide range of commodities

Graphite and lateritic nickel are the main targets at Cockabidnie



Source: Lincoln Minerals

Nickel mineralisation, discovered by Lincoln, occurs at the top of a gabbroic amphibolite under 10-20m of surficial cover. Drilling has intersected up to 1.1% Ni and 0.33% Co in the laterite, with up to 0.2% Ni in fresh bedrock.

Drilling by Lincoln on the Campoona syncline has also intersected anomalous zinc, lead and silver in areas of elevated surface geochemistry. This surface geochemistry also includes areas of calcrete gold anomalism, particularly south of Sugarloaf Hill, associated with elevated base metals anomalism.

Unconformity related uranium has also been intersected in drilling

In addition, drilling has intersected anomalous uranium at the unconformity between the Paleoproterozoic graphitic schists of the Hutchison Group and the Mesoproterozoic Blue Range Beds cover sequence. There is potential here for unconformity related uranium, similar to that at the Alligator River Uranium Field in the Northern Territory.

Bungalow-Minbrie

EL4884, located immediately to the north of Cowell is held by Centrex, with Lincoln having rights to all metals with the exception of iron ore. As part of the agreement, Lincoln has access to Centrex's drilling data over the tenement.

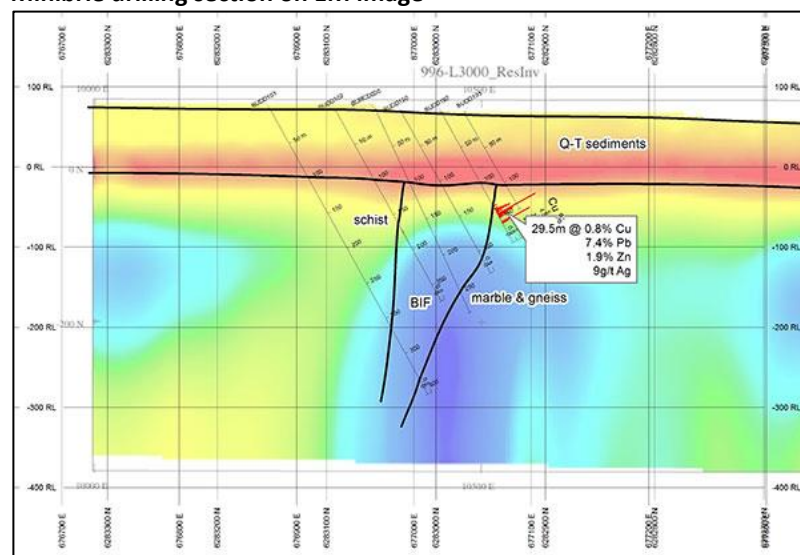
Significant base metal and silver mineralisation has been intersected at Minbrie, which requires follow up

Drilling by Centrex in 2011 intersected significant base metal mineralisation in BIF-marble-calc-silicate rocks of the Hutchison Group. Hole BUDD192 intersected 29.5m grading at 0.76% Cu, 7.37% Pb, 1.88% Zn and 9.0g/t Au and trace gold from 131.1m.

Subsequent work has included four lines of EM profiling, however interference from saline water at the unconformity between the basement units and the overlying cover precludes determining subtle anomalies.

The tenement is also prospective for vanadium, with this associated with titanomagnetite.

Minbrie drilling section on EM image



Source: Lincoln Minerals

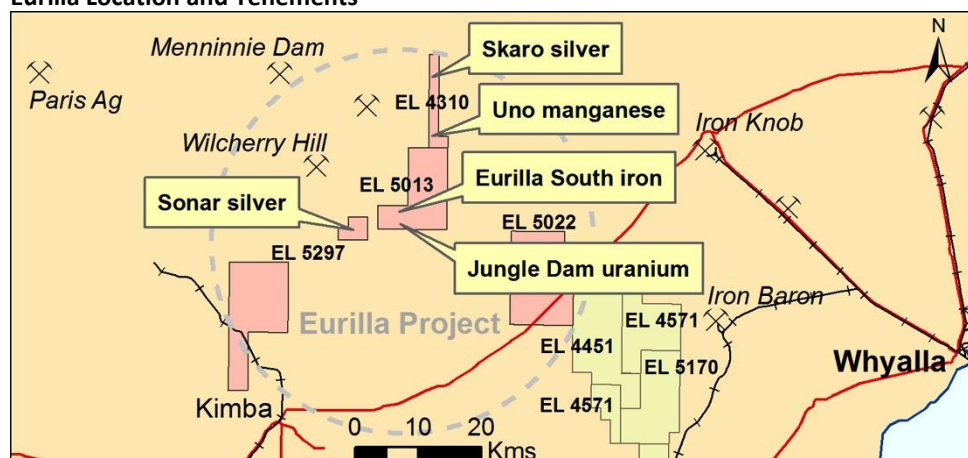
Eurilla

Eurilla, located approximately 60km NW of Whyalla, comprises three 100% LML tenements, and is located over units of the Hutchison Group and Paleoproterozoic Kimban Orogeny granitic intrusives. The area is along strike from IronClad Mining's Wilcherry Hill iron deposit, and near Investigator Resources' Paris silver discovery and the Menninnie Dam base metal deposit of Musgrave Minerals and Terramin.



Eurilla Location and Tenements

Eurilla is considered prospective for a range of commodities, and also contains a 21.7Mt magnetite resource



Source: Lincoln Minerals

The tenements host an inferred magnetite/hematite iron resource of 21.7Mt grading at 33.3% Fe, however also host known manganese and epithermal silver/lead mineralisation, similar to that at Paris. Soil sampling by Lincoln has outlined a number of silver and base metal anomalous areas, considered prospective for further epithermal mineralisation.

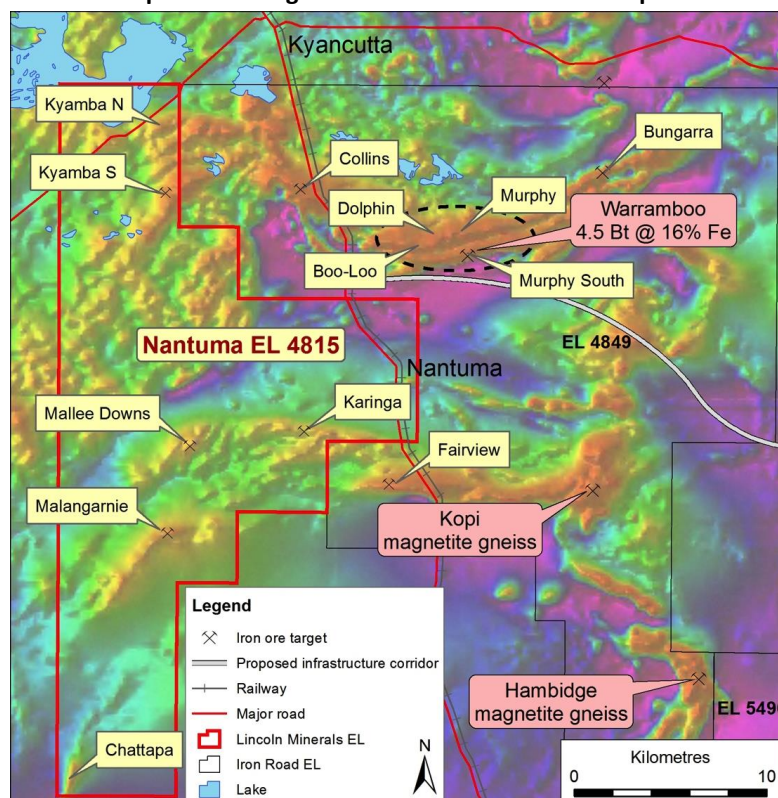
Manganese is hosted in an iron/manganese breccia, and is associated with anomalous silver, cobalt and gold.

Nantuma

Nantuma, located in the central Eyre Peninsula adjacent to Iron Road's 4.5Bt Central Eyre Iron Project, was granted in late 2011. The magnetic anomalies that define Iron Road's mineralisation extend into EL4815, and the Company has defined an exploration target of 0.7-1.8Bt grading at 14-20% Fe for the tenement.

Nantuma is located adjacent to Iron Road's CEIP, and has an exploration target of 0.7-1.8Bt @ 14-20% Fe

Nantuma exploration targets and Iron Road's iron ore deposits



Source: Lincoln Minerals



Kimba Gap (Stony Hill)

In addition to the base and precious metal prospectivity, radiometrics have confirmed the uranium prospectivity of Kimba Gap

Although considered prospective for base and precious metals, the main target at Kimba Gap is uranium associated with shear zones in granite gneisses, also with the potential for uranium in paleochannels draining the radiometric gneisses. The tenement is located some 70km north of Cowell, and covers BIF's and calc-silicates of the Hutchison Group and granite gneisses of the Lincoln Complex.

The Hutchison Group units, considered prospective for base and precious metals, include calc-silicates similar to those at Menninnie Dam and a sulphide-rich iron formation at the base of the Lower Middleback BIF sequence.

Breakaway's View

Our view is that Kookaburra Gully is a high quality graphite project

In Kookaburra Gully, Lincoln has a quality graphite project with the capacity to produce a high purity concentrate. The potential is strengthened by the resource upside that has the capacity to provide for a long life operation, producing at a reasonable 30,000 to 40,000tpa concentrate, with the potential to expand production.

The key step is for Lincoln to attract offtake and financing partners

The key step now for Lincoln is to attract offtake and project financing partners, possibly through an off-taker taking a project equity position. The upcoming pilot plant testwork will be critical for this, in that it will confirm the metallurgy and product quality, and provide representative product samples for potential customers. Recent developments by other companies in the graphite space shows that the demand for product is out there, with a number of offtake and financing agreements being put in place.

The proposed development timeframe is aggressive, and is dependent upon obtaining approvals and financing by the end of 2015, followed by a short construction period. This will also depend upon securing shorter term funding to progress work during 2015.

As we mentioned our key technical concern is the flake size from testwork to date when compared with peers, which will partly determine basket prices that may be received for any concentrate. Although prices for premium flake sizes are forecast to increase, those for the finer material are forecast to fall by some (but not all) sector analysts.

We must stress however that published prices are indicative only, and any pricing is set in individual contracts between the seller and the buyer, and also rely on concentrate grade and deleterious element contents. We note that Lincoln has successfully upgraded their product to battery grade 99.9% purity, which indicates the potential to receive a premium price.

Mitigating the size factor is the relatively high grade when compared to other developers and producers which should result in lower operating costs per tonne of product.

The other tenements are attractive in their own right

The portfolio of other exploration tenements should not be discounted – these make a very attractive package in their own right, and in better market times would have no trouble in attracting funding for ongoing exploration.

We rate Lincoln Minerals as a SPECULATIVE BUY

The above, when combined with the experienced and supportive board, management and major shareholders, results in our view of Lincoln Minerals as a SPECULATIVE BUY. We see short to medium term price drivers as positive results from drilling, resource estimations and pilot plant work, with longer term drivers being successful negotiation of offtake and financing agreements.



Graphite and the Market

What is Graphite and What is it Used For?

Graphite, a form of carbon, is an excellent conductor of heat and electricity, and has the highest strength and stiffness of any natural material

Graphite (chemical symbol 'C') was named by Abraham Gottlob Werner in 1789 from ancient Greek "to write/draw". The key properties of graphite include; an excellent conductor of heat and electricity, the highest natural strength and stiffness of any material, maintaining its strength and stability to temperatures in excess of 3,600°C and high resistance to chemical attack. It is also one of the lightest of all reinforcing agents and has high natural lubricating properties.

If you took a very close look at a graphite pencil lead you will see layer upon layer of carbon atoms, multiple two dimensional planes that are loosely bonded to their neighbours. The reason graphite works so well as a writing material, and industrial lubricant, is because the layers of atoms slip easily over one another. The layered structure facilitates easy cleavage along the planes. Each of these single layers of atoms is known as graphene. Separating the individual layers of graphite sets the electrons free and allows carbon to behave differently.

Major graphite forms are amorphous, flake and vein

Graphite is generally found in three forms, amorphous, flake and vein. In all cases graphite generally forms platy, hexagonal crystals, giving graphite its flaky appearance.

Amorphous Graphite

Amorphous graphite is the lowest quality material, and occurs generally as microcrystalline (<75µm crystal size) masses. It is commonly formed by the metamorphism of coal or carbon rich rocks, and is the most abundant form of graphite. Graphite commonly occurs as seams, with grades commonly in the range of 30-90% Cg, and purities in the order of 60-90% C.

Flake Graphite

Graphite pricing is determined by flake size and purity

Flake is the most abundant crystalline form of graphite, and is generally associated with metamorphosed graphitic and carbonaceous sediments. Generally grades are in the range of 1-12% Cg, however higher grades are also found in a number of cases. Graphite quality is commonly determined by flake size, with coarse flake (>175 micron) generally more sought after. Graphite flake concentrates are generally in the range of 85-98% carbon.

Vein Graphite

This style of mineralisation is uncommon, and poorly understood. The best known (and only mined) examples are in Sri Lanka, which are high grade veins (+90% Cg) producing high purity (+98% carbon) concentrates. Flake size can be variable in this style, as can grade and purity, but are generally very coarse.

Graphite Demand and Production

Traditional demand is driven by the steel industry, where it is used as a refractory, and also as a steel additive

Traditional demand for graphite is largely tied to the steel industry where it is used as a refractory, including as liners for ladles and crucibles, and as a component in bricks which line furnaces. The second major use in the steel industry is as an additive in steel, where it is used to increase the carbon content. In the automotive industry it is largely used in brake linings, gaskets (for which expanded graphite is an important component) and clutch materials. Graphite also has a numerous other uses in batteries (including automotive), lubricants, fire retardants, and reinforcements in plastics.

Other potential uses currently being researched include the use of graphite and graphene



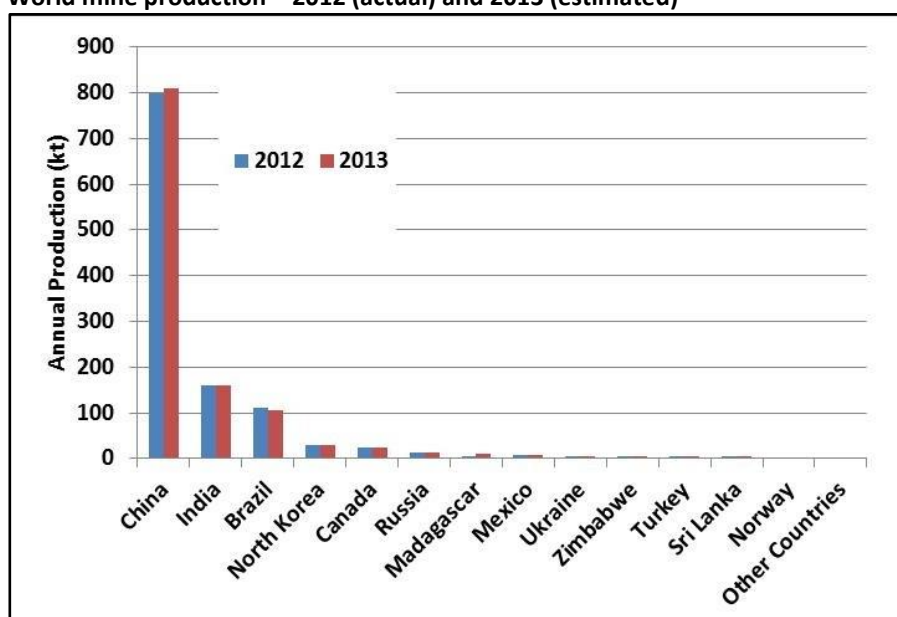
in 3D printing, and a number of other potential uses for graphene particularly in electronics.

The current market is dominated by refractories, which comprise ~40% of the total market, with metallurgical applications next at ~25%. Batteries currently comprise ~8% of the market.

According to the USGS worldwide production of natural graphite (as opposed to synthetic graphite, but which has a similar sized market) was 1.17Mt in 2012, which is a similar scale to the nickel market (~1.3Mtpa). Of this production, flake accounted for 60% and amorphous 40% and some production from vein. China is the dominant world producer (yet is still a net importer), accounting for ~70% of total world output, however, the graphite is primarily amorphous and low grade flake. Concerns about the long term reliability of high quality graphite supply out of China are driving consumers to look for other sources.

China is the dominant world producer, supplying some 70% of world output

World mine production – 2012 (actual) and 2013 (estimated)



Source: USGS

Industrial demand has been growing at around 5%, and significant further growth is expected, driven largely by future demand for lithium-ion batteries

The lithium-ion battery market is forecast as being driven by increasing demand for electric vehicles, each of which requires in the order of 40kg on average of spherical graphite, requiring 100kg of flake to produce due to production losses

Industrial demand for graphite has been steadily growing at around 5% p.a. and significant further growth in the industry is expected from the incremental demand created by numerous green initiatives including lithium-ion batteries, fuel cells, solar energy, semi-conductors, and nuclear energy. Many of these applications have the potential to consume more graphite than all the current uses combined. Importantly, only flake graphite can be upgraded to 99.9% purity, suitable for making lithium-ion batteries.

Lithium-ion Batteries

Many commentators see the lithium-ion battery market, with the growing demand for electric vehicles, as the key graphite demand driver going forward. In a lithium-ion battery, lithium is the cathode and flake graphite is anode, however, 10 - 30 times more graphite is required in these batteries than lithium. Approximately 60% of the battery market is supplied by natural flake and 40% by the more expensive and less conductive synthetic graphite.

Electric vehicles on average each require in the order of 40kg of spherical graphite ("SPG") for their batteries, with the production of 40kg of SPG requiring 100kg of high grade, high



purity (>99.95%) flake graphite due to losses in the production process.

Some commentators have estimated that up to 6 million electric vehicles could be manufactured in 2020. This equates to a ~10% market penetration, and assuming 60% of demand is met by flake would require an estimated extra 360,000tpa of flake graphite, or approximately 60% additional to current supply of ~600,000tpa.

China recently announced that it has mandated that 30% of Government vehicle purchases to be electric, fuel cell or hybrid by 2016, with the ratio to be raised in following years, with provincial governments being required to follow suit. Other measures reportedly being taken by China include waiving a 10% purchase tax for new-energy vehicles, which is due to commence on September 1, 2014 and run until 2017.

Tesla has announced plans to build a battery manufacturing facility in the USA, that will require up to 126,000tpa of flake graphite

Tesla, the US electric vehicle manufacturer has recently announced plans to build a US\$5bn battery manufacturing facility in south-western USA with Panasonic, which would be the world's largest single lithium-ion battery production facility. Tesla estimates demand for 126,000tpa of flake graphite (50,000t of SPG) on a best case basis, and 83,000tpa on a conservative basis to supply the plant.

The lithium-ion battery industry is currently growing at a rate of 30 - 40% annually and it is estimated that Lithium-ion batteries are also crucial to the consumer electronics industry for applications as varied as power tools, cell telephones, laptops, tablets and media players.

Graphene

Graphene, a single atom thick layer of graphite, is another potential demand driver, although significant commercial production may be some way off

Another potential demand driver is graphene, although our view is that significant commercial utilisation is some way off. Graphene is a single atom thick layer of graphite, and is the strongest material in nature, at approximately 200 times the strength of structural steel.

Graphene was first formed in the laboratory 10 years ago, and is now a hot topic of research in the scientific community and R & D laboratories. The material has a number of potential applications including, amongst others:

- Used in electronic applications (e.g. transistors and memory chips), transmitting electrons faster than silica
- Included in composite materials that are potentially ten times tougher than Kevlar
- Used as an anti-corrosion coating which would be the world's thinnest
- Allows plastics to conduct electricity
- Used in low cost display screens that could be flexible

Outlook for Graphite

The British Geological Survey has listed flake graphite as a material most likely to be in short supply globally

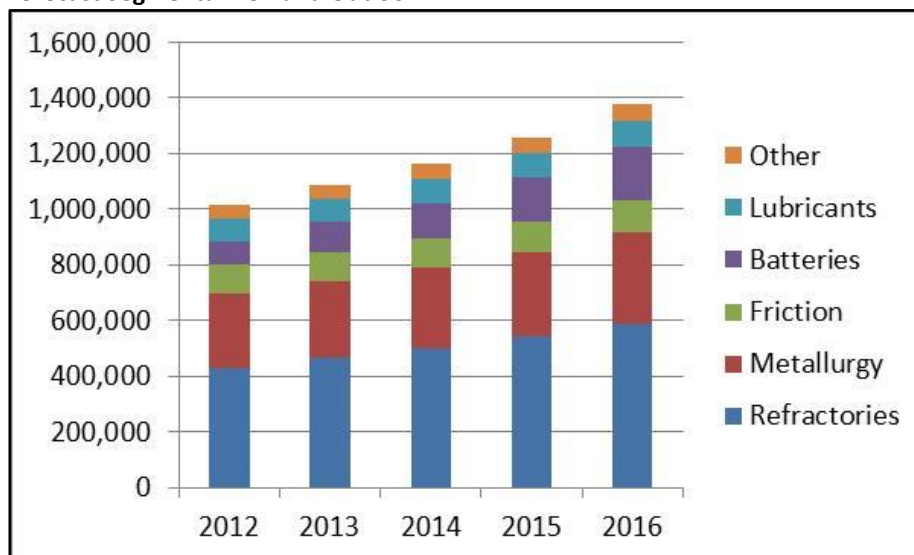
During 2010 the European Commission included flake graphite amongst 14 materials it considered high in both economic importance and supply risk while the British Geological Survey listed flake graphite as one of the materials to most likely be in short supply globally. The US government has also declared flake graphite a critical material.

Concerns come from the dominance of the industry by China; however there is also the view that China is rationalising its domestic industry to lower costs of production and in response to environmental concerns. Over the long term this may end up decreasing Chinese supply.



Industrial Minerals has forecast the following short term trends in natural graphite end usage. This shows general 6% CAGR growth in all except batteries, with batteries being the largest growth area at 24% CAGR from 2012 to 2016. Extrapolating these figures through to 2020 results in battery demand of ~460,000t, and non-battery demand of ~1,500,000t, for a total demand approaching 2,000,000t.

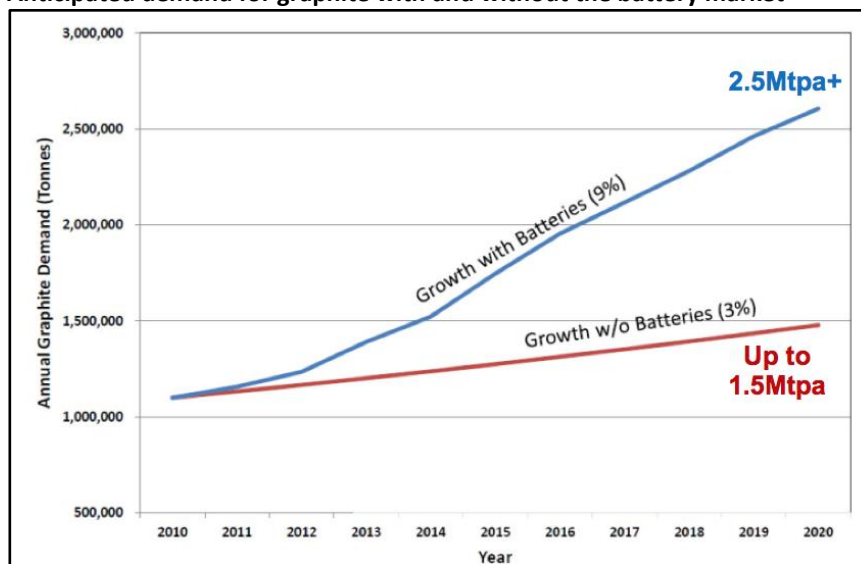
Forecast Segmental Demand Outlook



Source: Shaw Stockbroking Report on Syrah Website

Other forecasts indicate a much more aggressive growth due to the battery market, as shown below – the extrapolated Industrial Minerals forecast falls between the two cases presented below.

Anticipated demand for graphite with and without the battery market



Source: Lambao Resources

There is the potential for graphite demand to grow to 2-2.5mtpa by 2020, up from current levels of 1.2mtpa

Graphite Quality and Associated Pricing

Product pricing is dependent upon a number of parameters, including flake size and purity. In general, the larger the flake size and higher the purity the higher the price – this is largely due to the lower cost of treating the concentrate to achieve desired specifications for end uses. The most common quality parameters that prices are quoted on are large flake (>177 µm) and high purity (94-97% carbon). Specifications higher than these will command premium prices.

Large flake graphite has been forecast at US\$1,800/t from 2017

There is a wide range of price forecasts for the different graphite products. Industrial Minerals has forecast large flake (+177µm) prices of around US\$1,800/t and medium flake (150-177µm) prices of around US\$1,200/tonne from 2017. This variability in forecasting can be seen when the above is compared with forecast prices from Stormcrow Capital Ltd., an independent Toronto based research firm, as shown below.

Graphite Specifications and Indicative Pricing

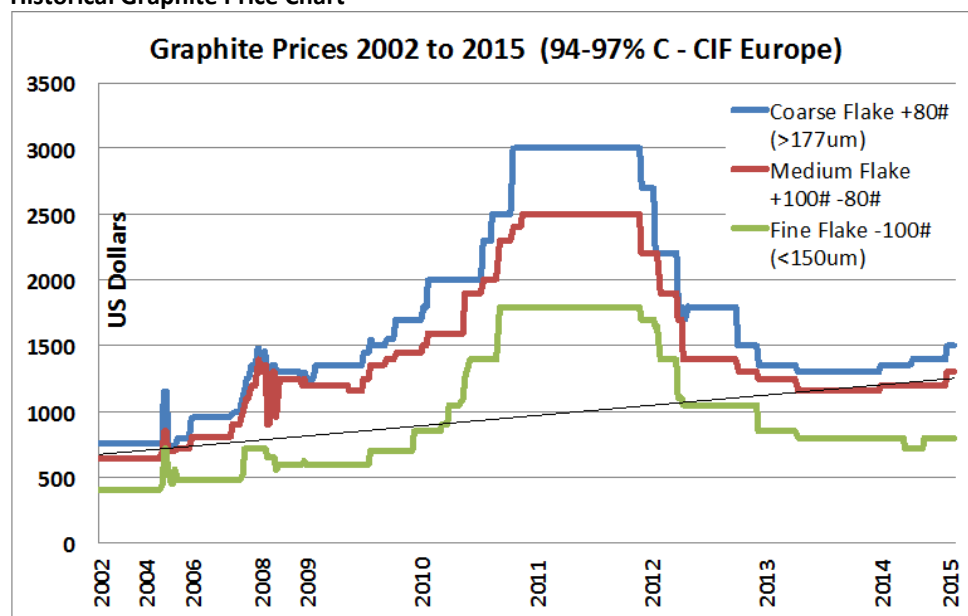
Graphite Product	Carbon Content (%)	Mesh Size	Graphite Size	2014 Price (US\$/t)	Forecast 2020 Price (US\$/t)
Jumbo Flake	99-99.9%	+48	>300µm	\$2,300	\$6,175
Large Flake	94-97%	+80-48	177 - 300µm	\$1,300	\$1,165
Medium Flake	94-97%	+150-80	106 - 177µm	\$950	\$517
Small Flake	94-97%	+200-150	74 - 106µm	\$750	\$493
Fine Flake	80-85%	-200	<74µm	\$550	\$359
Synthetic	99.95%			\$7,000 - \$20,000	

Source: Various, inc. Stormcrow Capital

It needs to be noted that graphite is not transparently traded – prices are set between customers and suppliers, and prices received for similar products in the future will vary between the different producer/customer agreements.

The chart below shows a price chart for the commonly quoted large flake/high purity graphite and illustrates a generally upward price trend over the period 2002 to 2015 due to increasing demand. The emergence of electric vehicles and the potential boom in lithium-ion battery demand into the foreseeable future is likely to continue to buoy the graphite price, with an upward trend again commencing in 2014.

Historical Graphite Price Chart



Source: Lincoln Minerals based on Industrial Minerals data



Directors and Management

Non-Executive Chairman
Mr Jin Yubo

Mr Jin Yubo graduated with a Master of International Law (National Chi Nan University). Formerly Chairman or Board Member of several major Chinese and Australian, investment and real estate companies, and formerly Committee Member of a major Chinese city's People's Political Consultative Council. Familiar with Chinese investment laws and regulations, Mr Jin has a wide range of political and business networks in mainland China, Hong Kong and other eastern and South East Asian countries.

Managing Director
Dr Allan John Parker

Dr Parker is a geologist and geophysicist with extensive knowledge of uranium, base metal, gold and iron ore mineral deposits and mineralizing systems in the Gawler Craton. Formerly Chief Geologist with the SA Geological Survey, he has mapped extensively throughout the Gawler Craton and on Eyre Peninsula and was editor and principle author of several chapters in Volume 1 of the Geology of South Australia. Dr Parker has made a major contribution to the discovery of gold in the Gawler Craton (Nuckulla Hill), the delineation of iron ore resources on Eyre Peninsula and to the enhancement of lead-zinc-silver resources at Menninnie Dam. As a Fulbright Postdoctoral Fellow Dr Parker worked on Lake Superior iron ores in North America.

Non-Executive Director
Mr Eddie Lung Yiu Pang

Mr Pang has a first-class Bachelor of Science with Honours degree in Chemistry. Mr Pang operates a trading business based in Shanghai supplying the Chinese market with Australian wool and wine, Chilean iron ore, cathode copper and timber along with marketing and export of Chinese products to Vietnam, the United Arab Emirates and Canada.

Mr Pang has a number of private business interests in Australia, including vineyards and timber plantations and is currently the Executive Chairman of ASX-listed mineral exploration and development company, Genesis Resources Limited.

Mr Pang's extensive network of business associates in China (both national and private) and the Middle East will be an invaluable asset for Lincoln in its future capital raising and product marketing.

Non-Executive Director
Mr Alex Hooi-Kiang Lim

Mr Alex Hooi-Kiang Lim was a former independent director of Berjaya Media Bhd (formerly known as Nexnews Bhd) listed on the Bursa Malaysia, and has a number of business interests in the palm oil plantation and insurance sectors. Mr Lim is also currently a Non-executive Director of Genesis Resources Limited.



Analyst Verification

We, Grant Craighead and Mark Gordon, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Lincoln Minerals and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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