

**LINQ RESOURCES FUND**  
 ARSN 108 168 190  
**PRELIMINARY FINAL REPORT**  
**APPENDIX 4E**

**FINANCIAL YEAR END 30 JUNE 2009**

**Results for announcement to the market**

<b>1.</b>	Details of the reporting period - and the previous corresponding period -	<b>30 June 2009</b> <b>30 June 2008</b>		<b>\$</b> <b>\$000</b>
<b>2.1</b>	Revenues from ordinary activities	up -98%	to	2,049
<b>2.2</b>	Income from ordinary activities attributable to unitholders	up -274%	to	<b>(193,479)</b>
<b>2.3</b>	Net income from ordinary activities attributable to unitholders	up -274%	to	<b>(193,479)</b>
<b>2.4</b>	<b>Distributions</b>			
	Interim distribution			-
	Final distribution			1 cent
<b>2.5</b>	Record date for determining entitlements to the final distribution			30 June 2009
	Date the final distribution is payable			28-Aug-09
				30 June 2008
				29-Aug-08
				<b>2009</b> <b>\$000</b>
				<b>2008</b> <b>\$000</b>
	Final distribution amount			1,701
				32,030

**Distribution Reinvestment Plan**

The LinQ Resources Fund has a Distribution Reinvestment Plan.

**2.6** Refer to attached Manager's Report

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**FINANCIAL YEAR END 30 JUNE 2009**

3. Income Statement – see attached financial statements.
4. Balance Sheet – see attached financial statements.
5. Cash Flow Statement – see attached financial statements.
6. Details of distributions – see note 2 of the financial statements.
7. The LinQ Resources Fund has a Distribution Reinvestment Plan. Election notices are sent to unitholders when they first join the register of the Fund. The last election notice sent by the Responsible Entity to unitholders had to be returned by 21 August 2008.
8. Statement of retained earnings – see note 8 (c) of the financial statements for an analysis of Net assets attributable to unitholders.
9. Net tangible assets per ordinary unit – refer to Balance Sheet.
10. Details of entities over which control has been gained or lost – refer note 1 (b)
11. Details of associates and joint venture entities – Not applicable.
12. Other significant information – refer to Managers report.
13. For foreign entities – Not applicable.
14. Commentary on the results for the period – refer to Managers report.
  - 14.1 Earnings per unit – see note 15 of the financial statements.
  - 14.2 Returns to unitholders – see note 2 of the financial statements.
  - 14.3 Significant features of operating performance - refer to Managers report
  - 14.4 Segments – Not applicable
  - 14.5 Trends in performance - refer to Managers report
  - 14.6 Other factors - refer to Managers report
15. The report is based on accounts which have been audited – see auditors report for Fund attached to financial statements
16. Not applicable
17. Not applicable

# LinQ Resources Fund

ARSN 108 168 190

## Annual Report

For the year ended 30 June 2009

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## CHAIRMAN'S LETTER

Dear Unitholder,

The LinQ Resources Fund ('the Fund') has had its most challenging year since first listing in January 2005. The 2008/09 financial year was characterised by significant falls in global equity markets and a prolonged retraction in global credit markets, which saw unprecedented intervention by governments around the world as they scrambled to secure various banks and other financial institutions in their respective countries.

Despite this market turmoil, the Fund managed to maintain its performance in line with its benchmark index the S&P/ASX Small Resources index and reported a net loss after tax of \$193.5m and has emerged from the financial year debt free. However, despite this loss the Fund has maintained its unbroken record of paying distributions in each year since listing and will pay a 1 cent per unit distribution to unitholders in late August 2009.

In keeping with the significant falls in global equity markets, the Fund's NTA decreased by some 58.6% year on year, but has since posted a further slow recovery in line with the market since year end.

The Fund announced during the year that it would take advantage of the downturn in the resources sector worldwide, by taking a more active role in the control and management of some of its investments, which is in accordance with the Fund's existing investment strategy and guidelines. Your Manager believes that the enhanced emphasis on active management will be beneficial to the Fund and its unitholders in the current investment climate.

The implementation of a more active investment strategy in some of the Fund's investments has led to a change in the tax status of the Fund to that of a public trading trust for tax purposes, commencing with the financial year ended 30 June 2009. This means that the Fund will be taxed as though it were a company, which will result in the Fund having a distribution policy similar to that of a company.

On behalf of the Board of Directors, we thank you for your continuing support of the Fund.

Yours faithfully,



**Gordon Toll**  
**Chairman**

# LINQ RESOURCES FUND

## MANAGER'S REPORT 30 JUNE 2009

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### About the LinQ Resources Fund

The Fund:

- Is listed on the ASX under the code "LRF" and had 170.1<sup>1</sup> million units on issue at 30 June 2009;
- Has an investment portfolio of \$130.7m (excluding cash) in companies in all stages of development from exploration through to production, across a broad range of commodities using various types of investment instruments including ordinary equity, convertible notes and call options;
- Has a net asset value of \$148.8m on consolidation or \$0.87 per unit after providing for the 2009 distribution of \$1.7m at 30 June 2009.

### Investment Strategy

The Fund:

- Invests in smaller and medium sized resource companies with market capitalisations generally less than A\$3Bn;
- Invests both in Australia and overseas;
- Invests in companies at all stages of development from exploration through to production.

### Investment Selection Criteria

The Fund seeks to invest on a number of criteria. Some of these are:

- Assets with growth potential;
- Capable and aligned management;
- Likely achievement of financial and operational milestones;
- Potential of the company to achieve market re-rating;
- An appropriate investment structure;
- Likely exit process and liquidity of the investment;
- Location of the project and relevant geopolitical risks; and
- Appeal from the broader investment community.

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<sup>1</sup> Excludes units in the Fund which are held by the LinQ Resources Fund No 2.

# LINQ RESOURCES FUND

## MANAGER'S REPORT 30 JUNE 2009

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### The Board of Directors

#### **Gordon Toll B.Eng (Hons), MBA - Non-executive Chairman**

- Mr Toll has had an extensive and distinguished career in the mining industry and brings more than 40 years mining experience to the Board of LinQ Capital Limited.
- Mr Toll has an extensive range of experience including acquisitions and new business, company/business turnaround, general management of companies at all levels and public company leadership.
- During his career his major commodity experience includes iron ore, coal, borates and other non-metallic industrial minerals, copper, gold, agricultural and heavy chemicals
- Mr Toll is a member of the Audit Committee and Chairman of the Nomination Committee and Compliance Committee.

#### **Clive Donner B.Comm – Managing Director**

- Mr Donner is the founding CEO of LinQ and has been in the funds management business since 1997.
- Mr Donner has over 28 years of relevant expertise both in Australia and internationally in equity investment, corporate and project financing, capital raising, investment advising and evaluation of resource companies across a range of commodities and in both debt and equity.
- Mr Donner also has experience in providing structured solutions to investing in order to identify and manage the risks inherent in investing in the smaller capitalised resources sector.
- Prior to founding LinQ Mr Donner was the founding Managing Director of a resources venture capital fund (Golden Arrow Fund) within N M Rothschild & Sons (Australia) Limited, which invested in emerging mining companies and projects mainly in Australasia. Prior to that, Mr Donner was head of N M Rothschild & Sons (Australia) Limited's project financing business in Perth where he provided emerging mining companies with project debt, derivatives and restructuring advice to assist in the financing, development and growth of resources companies. Mr Donner was also a key member of the Rothschild's private equity investment team during which time he pioneered the use of convertible notes in the resources sector. Prior to this he spent 9 years in senior executive positions at Citibank in Australia and overseas.
- Mr Donner is a member of the Nomination Committee and the Compliance Committee.

#### **Bruno Camarri AM LLB– Non-executive Director**

- Mr Camarri was partner at the legal firm, Freehills between 1973 and 2003. He practises as a corporate lawyer, primarily representing clients in the energy and resources industries. Between January 1994 and August 1996 he was the Senior Counsel for the Western Australian Commission on Government. In 1999 and 2000, Mr Camarri was nominated by the London based Euromoney Legal Group Survey as one of the world's leading energy and resources lawyers.
- Mr Camarri is a member of the Nomination Committee, Chairman of the Audit Committee and Compliance Committee.
- In 2008, Mr Camarri was awarded an Order of Australia for his longstanding service to business, particularly in the resources sector, to the law, and to the community of Western Australia through a range of charitable organizations.
- Mr Camarri brings substantial skills to the Fund in the commercial, legal and compliance areas.

## LINQ RESOURCES FUND

### MANAGER'S REPORT 30 JUNE 2009

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#### The Board of Directors (continued)

##### **Graham Fariss B.Eng, MBA – Non-executive Director**

- Mr Fariss is a Civil Engineer with 30 years experience in the engineering, construction and mining industry. He commenced his professional career as a construction engineer and has since gained experience across all facets of the industry from construction, engineering design and project management through to business development and finance.
- Mr Fariss previously held a number of senior corporate finance and business development positions with Clough Limited (1990-2004) and Tethyan Copper Company, where he held the position of General Manager Corporate Finance.
- Mr Fariss is currently General Manager Corporate Development at Mincor Resources NL
- Mr Fariss is a member of the Audit Committee.

##### **Nicholas Lattimore B.Econ, MBA – Non-executive Director**

- Mr Lattimore has over 30 years experience in the financial markets and is currently the CFO of BrisConnections Management Company Limited, the Responsible Entity for the entities building Australia's largest privately funded infrastructure project, the combined Brisbane Airport Link, Northern Busway and Airport Roundabout Upgrade.
- Mr Lattimore was previously the Deputy CEO of JF Infrastructure Pty Limited, a specialist fund manager operating in the infrastructure market and prior to that held the position of Managing Director – Head of Banking at N M Rothschild & Sons (Australia) Limited. Preceding that role he was Managing Director and Head of the Structured Finance businesses at Deutsche Bank in Australia and New Zealand where the scope of his responsibilities included project advisory and finance (infrastructure, privatisation and resources), leverage finance (acquisitions, LBO, MBO, mezzanine debt and public to private) and structured finance (tax and accounting related lending and advice).
- Mr Lattimore has substantial project finance experience in the mining sector.
- Mr Lattimore has an MBA from IMD (previously IMEDE) and B Ec(specialisation in Accountancy) from ANU and is a MAICD and a CPA.

##### **Jyn Sim Baker LLB, ICSA (Business Admin) – Non-executive Director**

- Ms Baker is currently the CEO of IMC Resources Group and has 22 years experience in the resources and energy sector including law, project finance and banking, mergers and acquisitions. Prior to joining IMC in 2006 Ms Baker served as the Managing Director of Midwest Corporation Ltd, an ASX listed iron ore company.
- Ms Baker has a LLB in law from the University of London, is a Chartered Secretary and Administrator (UK) and is a member of the Australian Institute of Company Directors.
- Ms Baker has had previous experience in the Australian resources sector and was also actively involved in privatisation of government agencies and has exposure to a wide range of industries - both within Malaysia and internationally.



## LINQ RESOURCES FUND

### MANAGER'S REPORT 30 JUNE 2009

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#### **The Investment Team**

#### **Clive Donner B.Comm – Managing Director (see above)**

#### **Jason Brewer - M.Eng (Hons), ARSM**

- Mr Brewer is General Manager for the Fund. Mr Brewer brings to the Management team over 16 years of international experience in the natural resources sector and in investment banking.
- Mr Brewer has experience in gold and base metals mines, having worked at the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Gencor.
- Mr Brewer's experience further includes roles in major investment banks such as Dresdner Kleinwort Benson, NM Rothschild & Sons (Australia) Limited and Investec Bank (Australia) Limited in London, Sydney and Perth where he had particular responsibility for structuring and arranging corporate and project funding and commodity risk management facilities for mining companies throughout Australia, Africa, Asia, Europe and North America.
- Mr Brewer has undertaken numerous advisory assignments for resources companies, encompassing acquisitions and disposals, debt advisory and project advisory roles.

#### **Mr Duncan Hughes - BSC (Hons), MBA, AIG**

- Mr Hughes is a senior investment analyst for the Fund with 12 years experience in the mining industry. He has supervisory and project assessment experience in the mineral exploration and resource development fields.
- Mr Hughes' operational experience includes gold and base metals exploration. He spent almost 4 years in supervisory roles with Jubilee Mines NL and was directly involved in the discovery and delineation of the Prospero, Tapinos and Alec Mairs nickel sulphide ore bodies at Jubilee Mines' Cosmos Project. Prior to this Mr Hughes worked as a geologist for Lion Ore Australia Ltd and Sons of Gwalia Ltd.

#### **Mr Simon Durack - B.Comm, Post Grad Dip Bus, CA, FCIS**

- Mr Durack is a Chartered Accountant and practicing Company Secretary, with over 29 years commercial experience gained working in Australia, South East Asia and Europe.
- Mr Durack's commercial experience includes time worked in the Accounting profession with Coopers & Lybrand (now PricewaterhouseCoopers). He has also held many senior financial and secretarial roles with both large public and private entities. In these roles, Mr Durack has been responsible for providing managerial, secretarial and financial advisory input. Mr Durack has also acted as resident Director for several offshore companies with operations in Australia.
- Mr Durack is the Group Company Secretary and Chief Financial Officer and brings a strong commercial and financial background to the Fund and the responsible entity.

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### **Mr Pierre Malherbe - B.Comm Investment Management; B.Comm Acc. (Hons); M.Comm Business Management**

- Mr Malherbe is a Senior Manager and brings to the management team and the responsible entity a strong finance background. Mr Malherbe assists the Group in valuation, financial accounting and in financial assessment and structuring of opportunities, due diligence and other management matters.
- Mr Malherbe's experience includes 16 years in the Investment Banking and Finance industries gained with some of the major banks in South Africa, including ABSA and Nedbank. He held senior financial and managerial positions within these Banks and was responsible for managerial, transactional and financial input into multi-million dollar structured finance transactions across all spectrums, including: mining, construction, aviation and other capital intensive projects.

In addition to the LinQ investment team, the LinQ Group has a range of other staff and industry experts available to it that provide assistance and input into the Fund and/or its investments. These experts are listed on the web site of the Fund.

### **Review of Operations**

### **Investment Highlights**

For the financial year ended 30 June 2009, the Fund reported a net loss after tax of \$193.5m in what was a very challenging year in the resources sector and in global equity markets. This performance however, was substantially in line with the performance of the Fund's benchmark index. The distribution of 1 cent per unit for this financial year, represents a yield of approximately 2% on the 30 June closing unit price. A distribution in this difficult year highlights the Fund's capacity to pay a distribution to unitholders, thereby cementing its unbroken record of paying a distribution every year since listing in 2005. The distribution will be paid on 28 August 2009.

### **Investment Performance**

Table 1 below details the performance of the Fund's NTA per unit and the LRF unit price from 30 June 2008 to 30 June 2009.

**Table 1:** LRF NTA per unit and LRF unit price Performance

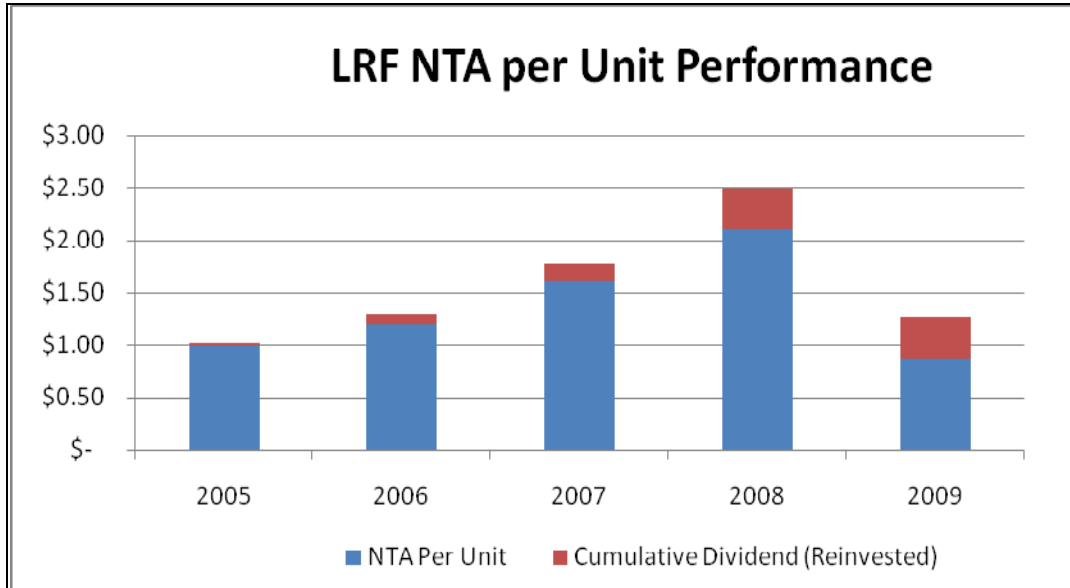
	30 June 2009	30 June 2008	% Change
LRF NTA per unit	\$0.87	\$2.10	-58.6%
LRF unit price	\$0.55	\$1.36	-60.3%

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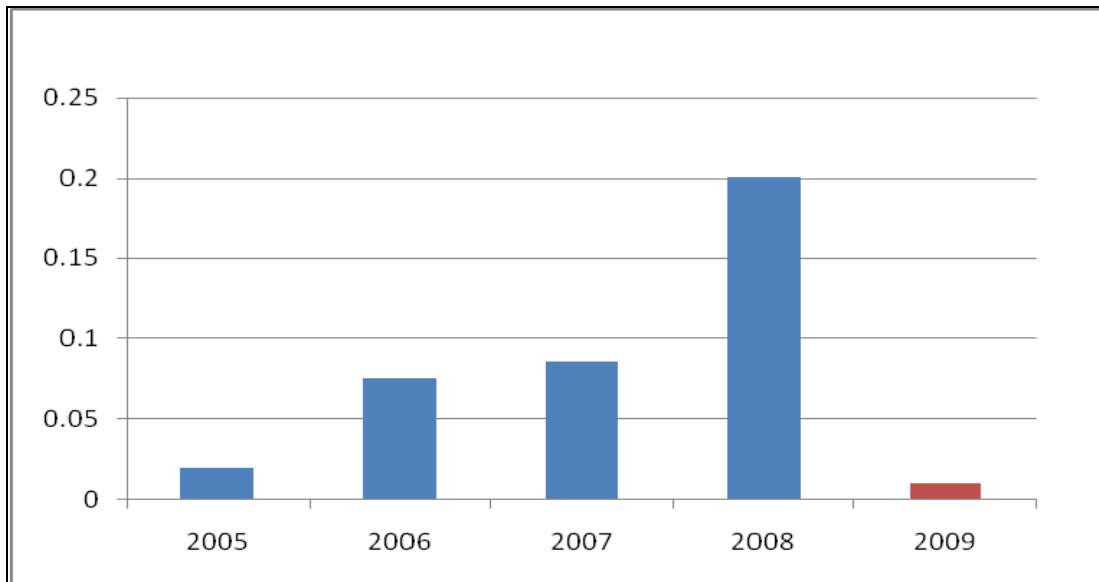
**Figure 1:** LinQ Resources Fund NTA per Unit Performance



## LINQ RESOURCES FUND

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**Figure 2:** LinQ Resources Fund Distributions paid and payable per unit



The first half of the financial year was characterised by unprecedented falls in worldwide equity markets and poor performance of the resources sector globally due to substantial falls in commodity prices. The Fund took the opportunity during the September quarter to reduce its position in a number of longer term positions in order to take profit and rotate capital. The second half of the financial year has seen a recovery in worldwide growth (albeit modest) following initial signs of recovery in the US economy and increased demand for commodities from China.

This financial year has also seen the Fund apply a more active investment strategy in the management of some of its investments. This will allow the Fund to take greater advantage of numerous opportunities in undervalued assets in the current volatile market conditions. As a result of these changes the Fund's tax status has changed to that of a public trading trust for tax purposes. From the year end of 30 June 2009 the Fund will be taxed at the company tax rate of 30%.

During the first half of the financial year, the Fund fully repaid its \$40m bank facility with the ANZ Bank and is debt free.

Investments in Financial Assets 30 June 2008(excluding cash)	\$371.1m
Investments in Financial Assets 30 June 2009(excluding cash)	\$130.7m
Decrease over the Financial Year	-64.8%

At 30 June 2009 cash represented 17.5% of the Fund's NTA compared with 9.9% at 30 June 2008. During the year, some 57.3% of the Class B options were exercised by unitholders, raising \$2.65m for the Fund and reflecting unitholders' confidence in the Fund going forward

#### Capital Management Strategy

During the year the Board announced a revised capital management strategy. This strategy encompassed a number of initiatives designed to reduce the discount to NTA. Part of this strategy was the semi annual Off Market Withdrawal Facility. This initiative allowed unitholders to withdraw up to 5% of their holdings two times a year at a 9.9% discount to NTA subject to certain

## **LINQ RESOURCES FUND**

### **MANAGER'S REPORT 30 JUNE 2009**

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trigger conditions being met. The first semi annual withdrawal was triggered in November 2008 at a 79% premium to unit price at the time. Only 39% of unitholders exercised their entitlement to this Off Market Withdrawal Facility. Other initiatives included:

- Re-commencement of on some limited on-market buybacks
- Increased marketing of the Fund
- Reintroduction of the Dividend Reinvestment Plan
- Improvements to NTA announcements

#### **Independent Research**

The Fund continues to receive research from a variety of institutions. In addition to this the Fund is included on a number of stockbroker's reports on the LMI industry

Copies of all independent research reports are available on the LinQ Resources Fund website.

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**Investment Summary**

Summary of the Fund's Investments as at 30 June 2009

<b>Investment</b>	<b>Class</b>	<b>Key project domicile</b>	<b>Key commodity focus</b>	<b>Valuation (\$,000)</b>
Alliance Resources Ltd.	Ord shares	Australia	Uranium	\$3,045
Atlas Iron Ltd	Ord shares & options	Australia	Iron Ore	\$25,884
Atomic Resources Ltd	Ord shares	Tanzania	Coal	\$348
Buxton Resources	Ord shares	Australia	Gold	\$32
Caledon Resources Limited	Ord shares	Australia	Coal	\$204
China Gold Mines Ltd	Ord shares	China	Gold	\$1,817
Citadel Resource Group Ltd	Ord shares	Saudi Arabia	Copper/Gold	\$167
Continental Capital	Convertible note	South Africa	Coal	\$11,714
Crescent Gold	Convertible note	Australia	Gold	\$2,027
Energy and Minerals Australia	Ord shares	Australia	Uranium	\$589
Ferrous Resources	Ord shares	Brazil	Iron Ore	\$26,102
Focus Minerals	Ord shares	Australia	Gold	\$325
Independence Group NL	Ord shares	Australia	Nickel/Gold	\$3,242
International Base Metals	Ord shares	Namibia	Copper/Zinc	\$1,000
Lihir Gold	Ord shares	PNG	Gold	\$19,086
Magma Metals Limited	Ord shares	Canada	Platinum	\$500
Matsa Resources Ltd	Ord shares	Australia	Gold	\$342
Millennium Minerals Ltd	Ord shares	Australia	Gold	\$2,613
Oilex Limited	Options	India	Oil	\$19
Pella Energy Limited	Ord shares	Kyrgyzstan	Uranium	\$250
Riversdale Mining Ltd	Ord shares	Mozambique	Coal	\$25,487
Satimola Limited	Ord shares	Kazakhstan	Borates	\$771
Sundance Resources Limited	Ord shares	Cameroon	Iron Ore	\$1,690
Uramet Minerals	Ord shares	Australia	Phosphate	\$109
Vaaldiam Resources	Options	Brazil	Diamonds	\$12
Vulcan Resources	Ord shares	Finland	Base metals	\$256
Western Areas	Ord shares	Australia	Nickel	\$2,996
Western Uranium Ltd	Ord shares & options	Australia	Uranium	\$77
Total investments in financial assets				\$130,704
Cash & other assets				\$26,002
<b>Total cash &amp; investments - consolidated</b>				<b>\$156,706</b>

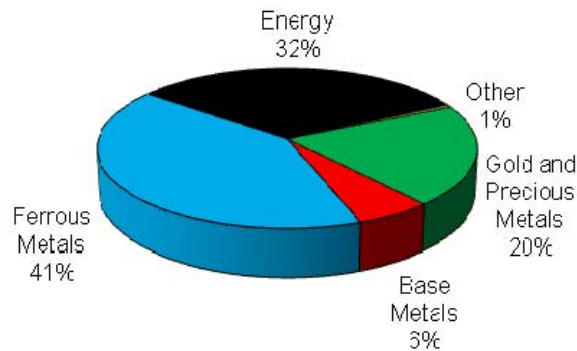
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#### Commodity Exposure

As at 30 June 2009 the Fund's investment portfolio (excluding cash) was very well diversified across a range of commodity groups including energy, ferrous metals, base metals, gold and precious metals. Over the year the Fund's weighting in ferrous metals and energy has remained strong due to the strong performance of a number of companies in these sectors along with additional investments in new companies in these commodity groups. The performance of the Fund's investments in these commodity groups have benefited from the global increase in the importance of energy and a resurgence of demand for iron ore. The Fund's weighting in gold and precious metals has increased over the past 12 months from 14% to 20% due to the strong performance of gold prices and the fund's increased investment in this sector.

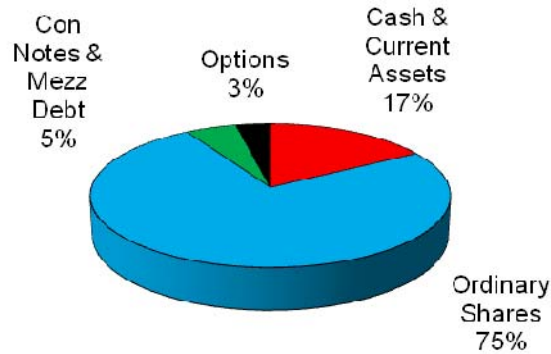


#### Investment Instruments

The Fund's portfolio comprises of mostly direct equity following the conversion and repayment of several convertible notes and structured finance instruments during the year. The poor performance of equity markets for much of last year has resulted in a significant number of opportunities to invest through convertible notes or structured finance style instruments. The Fund believes that the current equity and credit market conditions will provide a number of opportunities to invest through this style of instrument which can provide both income coupons and potential mitigation of downside risk whilst maintaining equity upside. Excluding cash, the Fund's investment portfolio comprised of approximately 11% in convertible notes, structured finance and options.

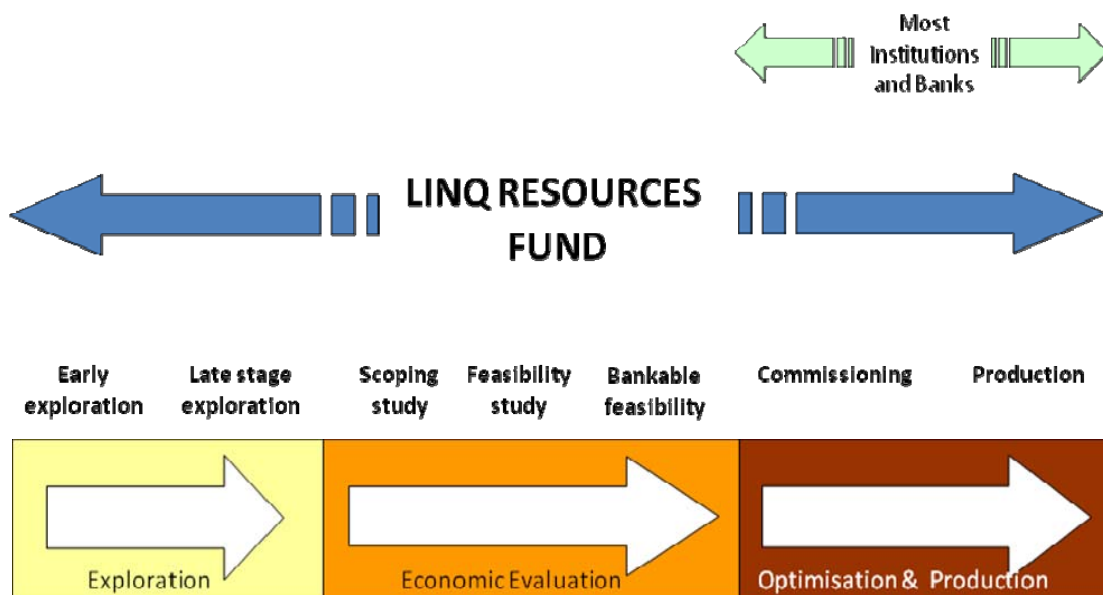
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### Investment Spectrum

The Fund invests along the full spectrum from exploration to production. The Fund is however currently more heavily weighted in the producing and economic evaluation stages. The Fund has substantial evaluation skills and track record in successfully investing in projects in the economic evaluation stages. This is a key comparative advantage of the Fund.





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During the year one of the Fund's major investments, Atlas Iron made the successful transition to producer and was able to successfully secure off-take arrangements despite the difficult market conditions during this period. Atlas Iron also had a series of promising exploration successes at Wodgina and Abydos to complete a standout year for the company. During the year the Fund exercised a number of unlisted call options in Atlas Iron, which were significantly in the money, at a strike price of A\$0.30. The stock has been trading above \$1.20 post reporting period.

A disappointing event during the first half of the year saw both Matrix Metals and CopperCo entering administration due to the global credit crunch. Despite strong underlying assets in both these companies and hedging designed to cover operating costs, CopperCo incurred a provisional pricing debt to its off take partner (Glencore) who was under contract to purchase copper cathode - resulting in its inability to finance its working capital requirements in the short term. Likewise, Matrix Metals was also unable to finance its operating capital requirements due to similar issues. The Fund had written down its equity investment in these companies substantially at the time of receivership. The Fund however, received the principal plus all interest (including penalty interest) from its \$5m convertible note in CopperCo, which was secured (second ranking). This highlights the Fund's capacity and experience to structure such instruments, which ensured a full recovery of its convertible notes in receivership.

Riversdale Mining successfully increased its JORC resource at the Benga Project in Mozambique by 90% to 4 billion tonnes of high quality hard coking coal. The company also announced the definition of 273Mt of reserves. On the back of these results, Riversdale's share price has improved considerably in the second half of the financial year. Riversdale also announced the completion of a successful feasibility study at the Benga Project post reporting period. This is further evidence of your Manager's ability to pick undervalued companies with robust early stage projects that are able to make the transition to emerging producers in a relatively short space of time.

Some of the Fund's earlier stage companies such as Magma Resources, Andean Resources (investment post reporting period) and Sundance Resources have announced impressive exploration results and made solid progress toward producing a revenue stream. Sundance Resources also completed a framework agreement with the Cameroon government on the development of the Mbalam iron ore project.

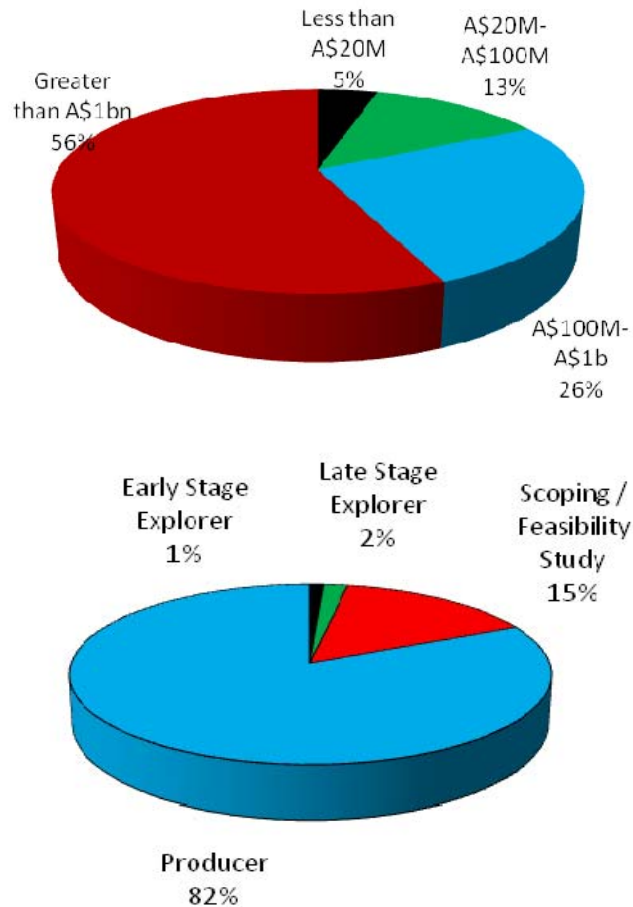
The Fund holds a small number of unlisted investments. We expect Ferrous Resources Limited, a large Brazilian Iron Ore company, to list later this year on an international exchange.

The Fund's two main nickel producers, Western Areas and Independence Group, both performed well in the second half of the year, benefiting from an appreciating nickel price. Western Areas continues to announce encouraging exploration and mining results from the Forrestania nickel project and successfully tied up future concentrate off take from its Cosmic Boy concentrator which opened during the year. Independence Group continued to define additional nickel reserves at its Long Nickel mine and expects to announce the results of a feasibility study on the 5 Moz Tropicana Gold resource, a joint venture with Anglo Gold.

As at 30 June 2009, the Fund's investments were concentrated in companies with market capitalisations greater than A\$1,000m with 55% of the Fund invested in this range. The Fund is currently focused on investing in companies in the economic evaluation stage and production stage. The Fund presently does not have a large exposure to the early exploration end of the market with only 3% being invested in exploration stage companies

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### Geographical Exposure

The Fund's investment portfolio continues to be weighted towards companies with projects in Australia. Where the Fund invests in a company that has its primary project offshore, many of these companies have a strong Australian component such as Australian management, Australian consultants or are listed on the Australian Securities Exchange. The non-Australian project locations include Brazil, India, Saudi Arabia, Kyrgyzstan, Kazakhstan, China, Namibia, South Africa, Tanzania, United States, Ivory Coast, PNG, Finland, Mozambique, Greenland, Argentina and Cameroon. Approximately 25% of the Fund's portfolio is invested in offshore investments.

### Commentary on the Mining Sector

The financial year saw the global financial system in turmoil unlike any experienced in our lifetime. The effects of the financial crisis began to impact the wider economy with global job losses and

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growth in advanced economies predicted to decline in 2009. Whilst the impact on global economies has been substantial, it is predicted by the IMF that global growth will remain positive in 2009 and that key Asian and developing economies will continue to grow in 2009 albeit at a slower rate.

Whilst the global financial system entered into uncharted territory we have also witnessed unprecedented action by governments worldwide to stem the crisis. This has seen the US government alone inject US\$787 billion into its financial sector. The unprecedented action by governments worldwide has assisted to limit the volatility in the financial sector considerably. Despite these actions, the illiquidity and concerns of credit markets have continued. Financial institutions still remain cautious of debt financing and as a consequence many companies, even blue chip companies, such as Rio Tinto, turned to the equities markets as they struggled to refinance debt.

The second half of the financial year saw an improvement in the recovery in the resources sector. Base metals demand increased with prices reflecting this increased demand. Copper and nickel in particular performed better. Gold equities continued to appreciate as many investors viewed the metal as the only credible currency.

Unlike other recent years, 2009 has proven to be a very difficult year for the mining industry, with a number of the major global mining companies announcing significant cutbacks to supply and planned expansions. Despite a recovery in the second half of the year commodity prices fell significantly below the marginal cost of production for many miners. Demand for most commodities fell significantly, although recent signs from China and other developing economies are positive, as the developed world economies went into recession.

The natural resources sector continues to be plagued by infrastructure bottlenecks, delays in output from capital expenditure and reduction in exploration expenditure in the 1990s. This, combined with the likely continued demand from developing economies in particular China, India and Brazil, should see commodity prices rise more quickly than expected.

The share market underwent one of its most volatile financial years on record with the S&P/ASX200 falling 24.2%. Global markets suffered as well with the S&P500 down 27.6%, the Nikkei down 26.1% and the FTSE100 down 24.4%. The Chicago Board Options Exchange's Volatility Index (VIX) measuring market volatility was at a record high of 89.5 in October, when investors were panic selling in the aftermath of the failure of the US investment bank Lehman Brothers, which was the largest failure in US history. The VIX index has since fallen back to 30 at the end of the year reflecting a more positive sentiment from investors.

The supply, demand and pricing of metal commodities over the year in review have similarly been extremely volatile. Gold prices hovered around record highs during the year while all other commodities suffered significant price falls in the first part of the year including oil, steel, coal, iron ore, manganese and other minor speciality metals such as cobalt, vanadium, ferrochrome and molybdenum. Prices for the major base metals were mixed, nickel and copper made a strong recovery from mid year lows while aluminium, zinc and lead have been less impressive. Despite the fall in these prices, commodities remain significantly above their long term historical averages.

Iron Ore has had an interesting year with the drop in global steel demand in the first half of the year, resulting in companies such as Mt Gibson Iron announcing that its off take customer had requested a moratorium. In September and October the iron ore spot market had virtually dried up. However, the second half of the year saw an increase in spot prices resulting in only a small anticipated cost cut in contract pricing agreed with Japan and China (post reporting period). Pilbara fines are now contracted at US\$97/t, just a 33% discount to last year's record contract prices. Coking coal prices over the year followed fluctuations in steel demand whilst thermal coal remains the cheapest and

## LINQ RESOURCES FUND

### MANAGER'S REPORT 30 JUNE 2009

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most prolific form of power generation and demand is likely to remain strong. Most analysts forecast a slight increase in thermal coal prices for 2009.

Oil has seen the most dramatic slowdown of commodities. Substantial delays, cutbacks and cancellation of projects were announced throughout the industry, together with other responsive measures, as crude prices dropped from US\$141/bbl in June 2008 to below US\$40/bbl in March 2009. Moreover, this trend was reinforced by severe restrictions on credit and the gloomy world economic outlook. The slowdown in the US economy, which remains the world's largest consumer of oil, as well as the downward trend of the global economy has triggered fears of a demand shortage in the market leading to rapid drops in the price of oil and production cutbacks by OPEC. These cutbacks and improved demand has led to a recovery in oil prices to US\$70/bbl in June 2009.

Base metals in general have performed very poorly over the past 12 months with nickel, copper, lead and zinc all falling substantially. The falls in many of these metals is largely attributable to increasing London Metal Exchange stockpiles combined with a softening of demand. However significant supply cutbacks and a recent rise in demand have led to a recent resurgence in prices, especially nickel and copper. Unfortunately this resurgence in demand came too late for a number of base metal producers with OZ Minerals being forced to close its Century Zinc mine and sell the majority of its assets to China's Minmetals and Albidon forced to close its Munali nickel mine in Zambia and call in administrators. CopperCo likewise went into receivership. The majors did not fair any better with Xstrata having to close its Lennard Shelf zinc mine and Norilsk forced to close its Australian nickel operations. However, there does more recently appear to be some improvement with nickel producer Western Areas successfully contracting off take for its nickel concentrate to BHP Billiton and Jinchuan.

Gold prices have continued to perform well during the year. Gold has become increasingly attractive to investors as they search for sustained value in this uncertain economic period. The year has seen a significant number of capital raisings by gold explorers and producers as these companies took advantage of positive investor sentiment for the sector. The equities market is still playing catch up with the gold price increase and we believe this represents a great opportunity to invest in potentially undervalued gold miners and particularly those with unhedged or under hedged exposure to gold. Also, capital and operating cost inputs have come down and this in conjunction with gold prices at significant highs, makes a compelling investment case. The Fund has been well placed to selectively invest in a number of these companies through placements at a discount to market pricing during the year.

Uranium spot prices have seen a significant resurgence during the latter part of the year as spot prices came off lows of US\$45/lb in October. The gap between the long term contracted price of US\$65/lb and spot prices of US\$52/lb is expected to continue to close. Platinum Group metal prices took a dramatic fall in the first half of the financial year as demand from the auto industry plummeted. The near collapse of the US Auto industry resulted in a significant fall in the need for these metals in catalytic convertors. Many platinum producers were forced to operate for much of the year at a loss. The recent recovery in prices has provided some hope for the sector with platinum prices settling comfortably above US\$1,100/oz.

Corporate activity in the resources sector continued over the year as many companies needed to secure their balance sheets and hence looked for a corporate solution. In Australia this was none more evident than the \$1.4 billion acquisition of the majority of OZ minerals Ltd's assets by China's Minmetals, as well as the proposed joint venture of BHP Billiton's and Rio Tinto's Pilbara Iron assets . On a global scale we have also seen Xstrata PLC approach Anglo American PLC to propose at £41 billion merger.

## LINQ RESOURCES FUND

### MANAGER'S REPORT 30 JUNE 2009

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#### Outlook

Commodities performed relatively well in the first part of calendar year 2009 and we believe the worst is behind us now. However, in the short-term, against a backdrop of uncertain, volatile and strained world financial markets, we could expect to see further volatility to occur in commodity prices and in equity values. The IMF has forecast global growth of 1.9% in 2010, but the road is likely to be bumpy as volatility continues.

The Australian economy in particular is expected to continue to benefit from continued strength in the resources sector through higher commodity export earnings. While the slowdown in global economic growth has dampened demand for mineral resources, renewed demand from China and other developing countries is expected to sustain the recovery.

Despite the slowing global economic growth, the world demand and pricing for commodities has generally remained buoyant. The strong performance of commodity markets over the past few years has been the result of both supply and demand factors. On the demand side, a major factor providing strong support for commodity prices is a sharp increase in commodity demand in the emerging and developing market economies, especially for mineral resources.

For base metals, with global economic growth assumptions remaining uncertain, the outlook in the short to medium term is for yet more volatility in prices, with emerging markets in Asia so far covering weaknesses out of the OECD economies. Substantial supply costs and recovering demand have started to re-establish the relatively tight market balances seen in previous years. In base metals, the sentiment has been shaken by concerns over the global economy, and thereby metals consumption. Lacklustre physical markets have also added to the downside price pressure, with lower physical premiums and rising exchange inventories contributing to perceptions of easing supply tightness. This is particularly true for nickel, zinc and lead. In the short-term, however, base metals will therefore continue to be sensitive to global growth prospects.

For precious metals, and gold in particular, the outlook remains strong, with rising oil prices, inflationary pressures and the sensitive geopolitical environment coupled with expectations of slower US growth momentum and ongoing credit concerns expected to maintain prices at or above current levels. Strong physical and investor demand should maintain a strong floor price well above historical average prices.

In this economic climate, the Fund continues to see substantial deal flow. The Fund's portfolio is well positioned with a majority of companies in our portfolio at the advanced evaluation stages or production stages. We believe that the coming year represents an excellent opportunity for your Fund, as the general slowing of worldwide equity and debt markets has made it more difficult for companies to obtain capital for development of their projects. We believe that this presents an opportunity for the Fund to increase its portfolio of convertible notes. These instruments assist the Manager to provide an income stream to the Fund from the coupons of the convertible notes, assist in the management of volatility, whilst maintaining equity upside for the Fund. The Fund's management team is very experienced in the use and construction of convertible notes, which will assist management in maximising returns for unitholders in current market conditions.

**LINQ RESOURCES FUND**

**MANAGER'S REPORT  
30 JUNE 2009**

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We look forward to the coming year and the opportunities that this market may present.

We thank you for your support of the Fund.



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**Clive Donner**  
**Managing Director**

## LINQ RESOURCES FUND

### DIRECTORS' REPORT 30 JUNE 2009

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## Directors' Report

The Directors of LinQ Capital Limited (ABN 66 098 197 258), the Responsible Entity of the LinQ Resources Fund, submit their report for the Fund for the year ended 30 June 2009.

### DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

	<b>Other listed company directorships</b>
Gordon Toll - Chairman	Director - Eastern Mediterranean Minerals Ltd (since May 2005). Non-executive Chairman Compass Resources Ltd (Director since July 2001 and Chairman since August 2005). Non-executive Chairman of Petro Matad Limited (since December 2007).
Clive Donner – Managing Director	Non-executive Director – Millennium Minerals Limited (since September 2003), China Gold Mines plc (since January 2006) and Matrix Metals Ltd (from October 2006 to October 2008).
Bruno Camarri AM	Deputy Chairman - United Group Ltd (since October 1994).
Graham Fariss	-
Nicholas Lattimore	-
Jyn Sim Baker	Alternate Director and Director of View Resources Ltd (since July 2006 to October 2007 and October 2007 to November 2007), Non-executive Director of Atlas Iron Ltd (since November 2006), CEO and Managing Director of Midwest Corporation Ltd (from September 2003 until February 2006), Non-Executive Director of Kairiki Energy Limited (since October 2008) and Alternate Director of Horizon Oil Limited (since August 2007).

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

### COMPANY SECRETARY

Simon Durack	Chartered Accountant and Fellow of Chartered Secretaries Australia who has provided accounting, financial and company secretarial services to listed and unlisted companies in the engineering, resources and entertainment industries.
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### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund Constitution.

The Fund specialises in investments in small to medium resources companies both in Australia and overseas. The Fund may invest in companies at all stages of development from exploration through to production, although the focus in pre cash flow companies is mostly on investment in companies in the later stage exploration and economic evaluation phases between discovery and completion of bankable feasibility studies.

# LINQ RESOURCES FUND

## DIRECTORS' REPORT 30 JUNE 2009

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### FUND INFORMATION

The LinQ Resources Fund is an Australian registered scheme, and was established in March 2002. LinQ Capital Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 2, 41 – 43 Ord Street, West Perth, Western Australia, 6005.

### REVIEW OF RESULTS AND OPERATIONS

#### Results

The net (loss)/profit after tax of the LinQ Resources Fund is presented in the Income Statement. Net (loss)/profit after tax for both the Consolidated and Parent Entities for the year ended 30 June 2009 was \$(193,478,732) (2008: \$111,372,404). Further information on the operations of the Fund is included in the Manager's Report.

#### Distributions

A distribution of 1.00 cent per unit (2008: 20.05 cents) has been declared for the year ended 30 June 2009 and will be paid on 28 August 2009 to all registered unitholders at 30 June 2009.

### UNIT PRICE HISTORY

The sales price and the highest and lowest sales prices for the LinQ Resources Fund during the year were:

	2009	2008
As at 30 June	\$0.55	\$1.36
<b>Year to 30 June</b>		
High	\$1.36	\$1.88
Low	\$0.275	\$0.91

### UNITS AND OPTIONS ON ISSUE

237,706,134 units were on issue at 30 June 2009 (2008: 227,252,246 units) in the LinQ Resources Fund, of which 67,640,071 units are owned by the LinQ Resources Fund No 2. The Fund issued 7,159,534 units during the year (2008: Nil units), pursuant to the Distribution Reinvestment Plan and 3,765,000 units pursuant to a private placement (2008: Nil units). Class B Options expired on 16 June 2009, whilst Class C Options expire on 16 June 2010. During the year 5,765,293 units (2008: 8,947,748) units were issued on conversion of Options that were on issue. 2,927,289 units (2008: 13,897,084 units) were bought back under the on-market buyback and 3,308,650 units were bought back under the off-market withdrawal facility at balance sheet date. At the date of this report 2,927,289 units (2008: 15,175,140 units) had been bought back on-market.

### FUND ASSETS

At 30 June 2009 the Consolidated entity held assets to a total value of \$157,164,762 and the Parent entity held assets to a total value of \$262,783,190 (2008: Consolidated entity \$406,890,185, Parent entity \$512,509,613). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.



## LINQ RESOURCES FUND

### DIRECTORS' REPORT 30 JUNE 2009

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#### FEES PAID TO THE RESPONSIBLE ENTITY

The following fees were paid or are payable to the Responsible Entity out of the Fund property during the financial year:

- Management fee, excluding GST, for the financial year was paid to the Responsible Entity \$3,305,115 (2008: \$7,403,607);
- Performance fee, excluding GST, for the financial year is payable to the Responsible Entity \$Nil (2008: \$3,201,021); and
- Expenses paid by the Responsible Entity and reimbursed by the Fund in accordance with the Fund's constitution \$721,078 (2008: \$412,276).

#### INTERESTS IN THE FUND

At the date of this report, Directors of the Responsible Entity or their associates held the following interests in the Fund:-

Director	Units	Options
Gordon Toll	-	-
Bruno Camarri	144,530	7,070
Clive Donner	945,708	46,260
Graham Fariss	200,501	10,311
Nicholas Lattimore	56,666	3,333
Jyn Sim Baker	-	-

#### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of LinQ Capital Limited support and have adhered to the principles of corporate governance. The corporate governance statement is contained in the additional ASX information section of this Annual Report.

#### BOARD COMMITTEES

As at the date of this report the Responsible Entity had an Audit Committee, a Compliance Committee and a Nomination Committee. The members of the Audit Committee are Bruno Camarri, Gordon Toll and Graham Fariss and members of the Nomination Committee are Gordon Toll, Bruno Camarri and Clive Donner. The Responsible Entity members of the Compliance Committee are Gordon Toll, Clive Donner and Bruno Camarri. The independent member of the Compliance Committee is Bob Jenkins.

## LINQ RESOURCES FUND

### DIRECTORS' REPORT 30 JUNE 2009

#### DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Director	Directors' Meetings		Audit Committee Meetings		Compliance Committee		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
Gordon Toll	4	12	2	2	1	4	1	1
Bruno Camarri	12	12	2	2	4	4	1	1
Clive Donner	12	12	-	-	4	4	1	1
Graham Fariss	12	12	2	2	-	-	-	-
Nicholas Lattimore	12	12	-	-	-	-	-	-
Jyn Sim Baker	11	12	-	-	-	-	-	-

A - meetings attended

B - meetings held whilst a director

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the LinQ Resources Fund during the year, other than those changes identified in the financial statements for the year ending 30 June 2009.

#### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

#### LIKELY DEVELOPMENT AND EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives. Future results will depend on the performance of the markets in the areas in which the Fund chooses to invest.

#### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Operations of the Fund are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

#### INDEMNIFICATION AND INSURANCE OF OFFICERS

All current and former officers of the Responsible Entity are indemnified out of the property of the Responsible Entity against:

- a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and

## **LINQ RESOURCES FUND**

### **DIRECTORS' REPORT 30 JUNE 2009**

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b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of LinQ Capital Limited or the auditors of the Fund.

#### **AUDITOR INDEPENDENCE**

The Directors received the following declaration from the auditor of the LinQ Resources Fund:

## Auditor's Independence Declaration to the Directors of LinQ Capital Limited as the Responsible Entity, for the LinQ Resources Fund

In relation to our audit of the financial report of the LinQ Resources Fund for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
26 August 2009

**LINQ RESOURCES FUND**

**DIRECTORS' REPORT  
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**NON-AUDIT SERVICES**

The Audit Committee has reviewed all non-audit services provided by the external auditor during the financial year ended 30 June 2009, and confirms that the provision of these services is in accordance with the independence provisions of the Corporations Act 2001. The external auditor has confirmed to the Audit Committee that they have complied with the Audit Committees' policy on non-audit services for the financial year ended 30 June 2009.

The total fees paid to the external auditor for non-audit services during the year were \$82,830 (2008: \$69,365).

**MANAGING DIRECTOR/FUND ACCOUNTANT DECLARATION**

The Managing Director and the Fund Accountant have given a declaration to the Board of Directors that in their opinion the financial records of the LinQ Resources Fund have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial year ended 30 June 2009 comply with accounting standards and give a true and fair view.

**ROUNDING**

The amounts contained in this report and in the financial report have been rounded off under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the Directors.



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**Clive Donner  
Director**

**Perth**

26 August 2009

**LINQ RESOURCES FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Income</b>					
Dividend revenue		74	713	74	713
Finance revenue	2(a)	1,975	5,096	1,975	5,096
Other income		-	70	-	70
Change in fair value of investments in financial assets classified at fair value through the profit & loss	2(b)	-	125,750	-	125,750
<b>Total income</b>		<b>2,049</b>	<b>131,629</b>	<b>2,049</b>	<b>131,629</b>
<b>Expenses</b>					
Change in fair value of investments in financial assets classified at fair value through the profit & loss	2(b)	182,673	-	182,673	-
Administration expenses		1,746	1,436	1,746	1,436
Directors' fees and expenses		335	335	335	335
Fund promotion		208	686	208	686
Interest expense		275	1,031	275	1,031
Legal and professional fees		390	6,164	390	6,164
Manager's fees		3,305	7,404	3,305	7,404
Performance fee		-	3,201	-	3,201
<b>Total expenses</b>		<b>188,932</b>	<b>20,257</b>	<b>188,932</b>	<b>20,257</b>
<b>Net (loss)/profit before tax</b>		<b>(186,883)</b>	<b>111,372</b>	<b>(186,883)</b>	<b>111,372</b>
Income tax expense	7	(6,596)	-	(6,596)	-
<b>Net profit attributable to unitholders after tax</b>		<b>(193,479)</b>	<b>111,372</b>	<b>(193,479)</b>	<b>111,372</b>
<b>Distributions to unitholders</b>	2(c)	<b>(1,701)</b>	<b>(32,030)</b>	<b>(1,701)</b>	<b>(32,030)</b>
<b>Change in net assets attributable to unitholders</b>		<b>(195,180)</b>	<b>79,342</b>	<b>(195,180)</b>	<b>79,342</b>
Distribution per unit (cents)	2(d)	1.00	20.05	1.00	20.05
Basic earnings per unit (cents)	15	(116.1)	79.7		
Diluted earnings per unit (cents)	15	(116.1)	79.7		

*The above Income Statement should be read in conjunction with the accompanying notes.*

**LINQ RESOURCES FUND**

**BALANCE SHEET  
AS AT 30 JUNE 2009**

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Assets</b>					
Cash and cash equivalents	9(a)	<b>26,002</b>	33,349	<b>26,002</b>	33,349
Trade and other receivables	3	<b>458</b>	2,484	<b>106,077</b>	108,103
Investments in financial assets	4	<b>130,704</b>	371,058	<b>130,704</b>	371,058
<b>Total assets</b>		<b>157,164</b>	406,891	<b>262,783</b>	512,510
<b>Liabilities</b>					
Distribution payable	2(c)	<b>1,701</b>	32,030	<b>1,701</b>	32,030
Trade and other payables	5	<b>101</b>	3,563	<b>101</b>	3,563
Interest bearing loan	6	-	35,592	-	<b>35,592</b>
Deferred tax liabilities	7	<b>6,596</b>	-	<b>6,596</b>	-
<b>Total liabilities excluding net assets attributable to unitholders</b>		<b>8,398</b>	71,185	<b>8,398</b>	71,185
<b>Net assets attributable to unitholders</b>	8(c)	<b>148,766</b>	335,706	<b>254,385</b>	441,325
<b>Net tangible assets per ordinary unit (\$)</b>		<b>0.87</b>	2.10		

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

## LINQ RESOURCES FUND

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital \$000	Undistributed Income \$000	Total \$000
<b>Parent</b>			
<b>At 1 July 2007</b>	213,551	158,440	371,991
Net profit attributable to unitholders	-	111,372	111,372
Exercise of options	10,737	-	10,737
Unit buyback	(20,745)	-	(20,745)
Distributions paid and payable	-	(32,030)	(32,030)
<b>At 30 June 2008</b>	<b>203,543</b>	<b>237,782</b>	<b>441,325</b>
<b>At 1 July 2008</b>	<b>203,543</b>	<b>237,782</b>	<b>441,325</b>
Net profit attributable to unitholders after tax	-	(193,479)	(193,479)
Units issued - distribution reinvestment plan	6,673	-	6,673
Units issued - private placement	3,394	-	3,394
Exercise of options	2,653	-	2,653
Unit buyback	(4,480)	-	(4,480)
Distributions paid and payable	-	(1,701)	(1,701)
<b>At 30 June 2009</b>	<b>211,783</b>	<b>42,602</b>	<b>254,385</b>
<b>Consolidated</b>			
<b>At 1 July 2007</b>	213,551	158,440	371,991
Net profit attributable to unitholders	-	111,372	111,372
Exercise of options	10,737	-	10,737
Unit buyback	(20,745)	-	(20,745)
Treasury stock	(105,619)	-	(105,619)
Distributions paid and payable	-	(32,030)	(32,030)
<b>At 30 June 2008</b>	<b>97,924</b>	<b>237,782</b>	<b>335,706</b>
<b>At 1 July 2008</b>	<b>97,924</b>	<b>237,782</b>	<b>335,706</b>
Net profit attributable to unitholders after tax	-	(193,479)	(193,479)
Units issued - distribution reinvestment plan	6,673	-	6,673
Units issued - private placement	3,394	-	3,394
Exercise of options	2,653	-	2,653
Unit buyback	(4,480)	-	(4,480)
Distributions paid and payable	-	(1,701)	(1,701)
<b>At 30 June 2009</b>	<b>106,164</b>	<b>42,602</b>	<b>148,766</b>



**LINQ RESOURCES FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>					
Interest received		1,744	5,230	1,744	5,230
Dividend income received		74	713	74	713
Other income received		-	70	-	70
Net GST received / (paid)		103	(34)	103	(34)
Manager's fees paid		(3,305)	(7,404)	(3,305)	(7,404)
Performance fee paid		(3,201)	-	(3,201)	-
Other expenses paid		(1,016)	(11,774)	(1,016)	(11,774)
<b>Net cash outflow from operating activities</b>	9(b)	<b>(5,601)</b>	<b>(13,199)</b>	<b>(5,601)</b>	<b>(13,199)</b>
<b>Cash flows from investing activities</b>					
Payments for investments		(28,877)	(58,116)	(28,877)	(58,116)
Proceeds from sale of investments		86,558	104,232	86,558	104,232
<b>Net cash inflow from investing activities</b>		<b>57,681</b>	<b>46,116</b>	<b>57,681</b>	<b>46,116</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units and exercise of options		12,720	10,737	12,720	10,737
Proceeds / (repayments) from borrowings		(35,592)	35,592	(35,592)	35,592
Monies lent to a subsidiary		-	-	-	(105,619)
Acquisition of treasury stock		-	(105,619)	-	-
Distribution paid		(32,030)	(19,855)	(32,030)	(19,855)
Unit buyback		(4,525)	(20,700)	(4,525)	(20,700)
<b>Net cash outflow from financing activities</b>		<b>(59,427)</b>	<b>(99,845)</b>	<b>(59,427)</b>	<b>(99,845)</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(7,347)</b>	<b>(66,928)</b>	<b>(7,347)</b>	<b>(66,928)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>33,349</b>	<b>100,277</b>	<b>33,349</b>	<b>100,277</b>
<b>Cash and cash equivalents at the end of the year</b>	9(a)	<b>26,002</b>	<b>33,349</b>	<b>26,002</b>	<b>33,349</b>

*The above Cash Flow Statement should be read in conjunction  
with the accompanying notes.*

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### **1. Corporate Information**

The financial report of the LinQ Resources Fund ('Fund') for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 25 August 2009. The Fund is an Australian Registered Scheme, constituted on 8 March 2002. The Fund will terminate on 7 March 2082 unless terminated earlier in accordance with provisions of the Constitution.

LinQ Capital Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 2, 41 – 43 Ord Street, West Perth WA 6005.

The nature of the operations and principal activities of the Fund are described in the accompanying Manager's Report.

#### **Summary of Significant Accounting Policies**

##### **(a) Basis of Accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for the valuation of investments in financial assets at fair value through profit and loss, which have been measured at fair value.

The Balance Sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current, additional information regarding this are included in the relevant notes. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit and loss and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under the ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

##### **(b) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the LinQ Resources Fund and its wholly owned subsidiary Trust, the LinQ Resources Fund No 2, as at 30 June 2009 (the Group).

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The financial statements of the subsidiary Trust are prepared for the same reporting period as the parent, using consistent accounting policies.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

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#### **(b) Basis of Consolidation (continued)**

In preparing the consolidated financial statements, all inter-trust balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

A subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investment in the subsidiary held by the LinQ Resources Fund is accounted for at cost in the separate financial statements of the parent entity.

#### **(c) Investments and Other Financial Assets**

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date ie the date that the Fund commits to purchase or sell the asset.

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held to maturity investments or available for sale investments, as appropriate. The criteria for initial recognition are based on the Fund's objectives and Management's analysis.

When financial assets are recognised initially they are measured at fair value, plus in the case of investments not at fair value through the profit and loss, directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

##### ***(i) Financial assets at fair value through profit and loss***

For financial assets that are actively traded in organised financial markets, fair value is determined by reference to the Securities Exchange quoted market bid prices at the close of business on the Balance Sheet date.

For financial assets where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the financial assets. The fair value of options is determined using an appropriate option pricing model. Where there is no other means of valuation, such financial assets are stated at cost.

Gains or losses on investments at fair value through profit and loss are recognised in the Income Statement.

##### ***(ii) Loans and receivables***

Loans and receivables are non derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition.

For financial assets carried at amortised cost, gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### *(iii) Derecognition of financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a “pass-through” arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **(d) Investment Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Specific income is recognised as follows:

##### *(i) Dividend revenue*

Dividends are recognised when the right to receive payment is established.

##### *(ii) Interest revenue*

Interest is recognised on an accruals basis using the effective interest rate method, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest on cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

##### *(iii) Changes in the fair value of investments*

Gains or losses on investments are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

#### **(e) Distributions**

As the Fund is now a public trading trust for tax purposes and will now pay income tax as though it were a company, it is no longer required to distribute the Fund’s taxable income to unitholders. In determining the annual distribution for the Fund, the Directors of the Responsible Entity will have proper regard to the return on the Fund’s investments and its working and investment capital requirements in any given year.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### **(f) Changes in Net Assets Attributable to Unitholders**

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the net fair value of securities, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any securities (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

#### **(g) Trade and Other Receivables**

Trade and other receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Receivables are recognised and carried at original amount, less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the debt. Objective evidence is determined when the debts are more than 90 days past due. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

#### **(h) Trade and Other Payables**

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

Payables include outstanding settlements on the purchase of investments and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

#### **(i) Interest-bearing Loans and Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Borrowing costs are recognised as an expense when incurred.

#### **(j) Goods and Services Tax ('GST')**

Revenue, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST, to the extent that GST is recoverable from the Australian Tax Office (ATO). Where GST

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### **(j) Goods and Services Tax ('GST') (continued)**

is not recoverable it is recognised as part of the cost of the asset or as part of the expense item as applicable.

Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from or payable to the ATO are classified as operating cash flows.

#### **(k) Cash and Cash Equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents includes deposits held at call with banks or financial institutions.

#### **(l) Treasury Stock**

Treasury stock refers to those Fund units acquired by the LinQ Resources Fund No 2 (refer note 1 (g) above). For accounting purposes, the treasury stock is offset against the Fund's units on issue. Whilst the Treasury stock is held by LinQ Resources Fund No 2, those units do not participate in distributions from the Fund.

#### **(m) Earnings Per Unit**

Basic earnings per unit (EPU) is calculated as net profit/loss attributable to unitholders divided by the weighted average number of units, less the treasury stock. The diluted EPU is not materially different from the basic EPU.

#### **(n) Net Tangible Assets Per Unit**

Net tangible assets per unit (NTA) is calculated by taking the net assets attributable to unitholders and dividing by the number of units on issue at year end, less the treasury stock.

#### **(o) Terms and Conditions on Units**

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### (p) Income Tax

Under current legislation, the Fund has been classified as a public trading trust for tax purposes with effect for the financial year ended 30 June 2009 and will be subject to income tax for the first time in this financial year.

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

#### (q) Foreign Currency Translation

Both the functional and presentation currency of the Fund is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, is recognised in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### (r) Significant Accounting Judgements, Estimates and Assumptions:

The determination of fair value of unlisted securities requires the application of a discounted cash flow valuation model. A discounted cash flow model requires that certain judgements and assumptions are made, including an estimate for the discount rate applied and an estimation of future uncertain cash flows.

The Fund determines the fair value of unlisted options using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. The Black-Scholes formula requires the estimation of certain assumptions including the volatility of the underlying shares and an estimation as to the anticipated date at which the option will be exercised.

#### (s) Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS).

#### (t) Application of Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ending 30 June 2009. Only those Australian Accounting Standards that may apply to the Fund in the future have been disclosed in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	Nil	1 July 2009



**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	Nil	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	Nil	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income.  Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Nil	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	Nil	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	Nil	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Nil	1 July 2009

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p> <p>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.</p> <p>The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].</p>	1 January 2009	Nil	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.</p> <p>Refer to AASB 2008-5 above for more details.</p>	1 July 2009	Nil	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity’s separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	Nil	1 July 2009

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> <li>▶ quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</li> <li>▶ inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and</li> <li>▶ inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	Nil	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRSs</i>. The amendments pertaining to IFRS 5, 8, IAS 1, 7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).</p>	1 July 2009	Nil	1 July 2009

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	<p>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</p> <p>[AASB 5, 8, 101, 107, 117, 118, 136 &amp; 139]</p>	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRSs</i>. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).</p>	1 January 2010	Nil	1 July 2010
AASB 2009-7	<p>Amendments to Australian Accounting Standards</p> <p>[AASB 5, 7, 107, 112, 136 &amp; 139 and Interpretation 17]</p>	<p>These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.</p>	1 July 2009	Nil	1 July 2009

\* designates the beginning of the applicable annual reporting period unless otherwise stated

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>2. Finance Income and Distributions to Unitholders</b>				
<b>(a) Finance revenue</b>				
Bank interest	1,119	2,553	1,119	2,553
Other interest	-	33	-	33
Income from loans and receivables	856	2,510	856	2,510
	1,975	5,096	1,975	5,096
<b>(b) Change in fair value of investments in financial assets classified at fair value through the profit and loss</b>				
Unrealised (losses)/gains in net fair value of investments	(205,671)	90,115	(205,671)	90,115
Realised gains on sale of investments	45,392	41,964	45,392	41,964
Realised losses on sale of investments	(22,394)	(6,329)	(22,394)	(6,329)
	(182,673)	125,750	(182,673)	125,750
<b>(c) Distributions to unitholders</b>				
Distributions to unitholders	1,701	32,030	1,701	32,030
	1,701	32,030	1,701	32,030
<b>(d) Components of distribution</b>				
	2009		2008	
	\$000	Cents per unit	\$000	Cents per unit
Final distribution 30 June	1,701	1.00	32,030	20.05
	1,701	1.00	32,030	20.05
<b>3. Trade and Other Receivables</b>				
	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Accrued interest	391	159	391	159
GST recoverable	67	170	67	170
Other receivables	-	-	105,619	105,619
Prepayments	-	387	-	387
Prepaid interest	-	1,768	-	1,768
	458	2,484	106,077	108,103

- (a) The other receivable represents a non-interest bearing loan, of no fixed repayment term, given to the Fund's wholly owned subsidiary Trust, LinQ Resources Fund No 2, to acquire Fund units in 2008. However, the Fund has the right to call the repayment of this loan on demand.
- (b) Prepaid interest was set aside in a designated bank account in the name of the Custodian of the Fund. The loan facility was repaid in August 2008.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>4. Investments in Financial Assets</b>				
<b>(i) Investments at fair value through Profit and Loss</b>				
<b>Listed securities</b>				
- Listed equities	<b>87,190</b>	312,641	<b>87,190</b>	312,641
- Unlisted equities	<b>26,102</b>	15,600	<b>26,102</b>	15,600
	<b>113,292</b>	328,241	<b>113,292</b>	328,241
<b>Unlisted securities</b>				
- Options on convertible notes and mezzanine facilities	<b>5,391</b>	33,196	<b>5,391</b>	33,196
- Unlisted equities at cost	<b>2,021</b>	2,021	<b>2,021</b>	2,021
	<b>7,412</b>	35,217	<b>7,412</b>	35,217
<b>(ii) Loans and receivables at amortised cost</b>				
- Convertible notes and mezzanine facilities	<b>10,000</b>	7,600	<b>10,000</b>	7,600
	<b>130,704</b>	371,058	<b>130,704</b>	371,058
<b>5. Trade and Other Payables</b>				
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Unsettled trades	-	45	-	45
Trade creditors	<b>22</b>	115	<b>22</b>	115
Other fees payable	<b>79</b>	202	<b>79</b>	202
Performance fee payable	-	3,201	-	3,201
	<b>101</b>	3,563	<b>101</b>	3,563
<b>6. Interest bearing loan</b>				
<b>Current</b>				
Bank loan secured	-	35,592	-	35,592
	-	35,592	-	35,592

The bank loan was provided by the Australia and New Zealand Banking Group Limited and was repaid in August 2008.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>7. Income Tax</b>				
The major components of income tax expense are:				
<b>Income Statement</b>				
<i>Current income tax</i>				
Current Income Tax expense/(income)	(726)	-	(726)	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	7,322	-	7,322	-
Income tax expense reported in the income statement	<b>6,596</b>	-	<b>6,596</b>	-
<b>Statement of Recognised Income and Expense</b>				
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate as follows:				
Accounting profit/(loss) before income tax	(186,883)	111,372	(186,883)	111,372
At the Fund's statutory income tax rate of 30%	(56,065)	-	(56,065)	-
Franking credit	10	-	10	-
Fund promotion	1	-	1	-
Creation of opening Deferred Tax Liability	38,392	-	38,392	-
Changes due to CGT discount	24,258	-	24,258	-
Income tax expense reported in the income statement	<b>6,596</b>	-	<b>6,596</b>	-
<b>Deferred Income Tax</b>				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax assets</i>				
Audit fees	9	-	9	-
S 40-880 deductions	1,217	-	1,217	-
Total deferred tax assets	<b>1,226</b>	-	<b>1,226</b>	-
<i>Deferred tax liabilities</i>				
Interest receivable	117	-	117	-
Shares held for greater than 12 months	3,868	-	3,868	-
Shares held for less than 12 months	3,754	-	3,754	-
Options	809	-	809	-
Total deferred tax liabilities	<b>8,548</b>	-	<b>8,548</b>	-
Total deferred tax	<b>7,322</b>	-	<b>7,322</b>	-

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
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<b>8. Net Assets Attributable to Unitholders</b>	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
The terms and conditions attached to the units in the Fund can be found in Note 1 (o).				
<b>(a) Units on issue</b>				
Units on issue as at beginning of financial year	227,252	232,201	227,252	232,201
Units issued pursuant to the distribution reinvestment plan	7,160	-	7,160	-
Units issued pursuant to a private placement	3,765	-	3,765	-
Units issued on exercise of options	5,765	8,948	5,765	8,948
Unit buyback on-market	(2,927)	(13,897)	(2,927)	(13,897)
Unit buyback off-market	(3,309)	-	(3,309)	-
Units on issue as at the end of the financial year (note 1)	<b>237,706</b>	227,252	<b>237,706</b>	227,252

1. Includes 67,640,071 units classified as treasury stock

<b>(b) Options on issue</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Options on issue as at beginning of financial year	20,121	-	20,121	-
Options issued during the year	-	30,182	-	30,182
Options converted	(5,765)	(8,948)	(5,765)	(8,948)
Options lapsed	(4,295)	(1,113)	(4,295)	(1,113)
Options on issue as at the end of the financial year	<b>10,061</b>	20,121	<b>10,061</b>	20,121

<b>(c) Changes in net assets attributable to unitholders</b>	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net assets attributable to unitholders at beginning financial year	335,706	371,991	441,325	371,991
Change in net profit/(loss) attributable to unitholders	(193,479)	111,372	(193,479)	111,372
Units issued in the distribution reinvestment plan	6,673	-	6,673	-
Units issued in private placement	3,394	-	3,394	-
Exercise of options	2,653	10,737	2,653	10,737
On-market unit buyback	(2,495)	(20,745)	(2,495)	(20,745)
Off-market unit buyback	(1,985)	-	(1,985)	-
Distributions paid and payable	(1,701)	(32,030)	(1,701)	(32,030)
Acquisition of Treasury Stock (note 2)	-	(105,619)	-	-
Net assets attributable to unitholders as at the end of the financial year	<b>148,766</b>	335,706	<b>254,385</b>	441,325

2. The treasury stock represents units in the Fund, which are held by the Fund's wholly owned subsidiary Trust, LinQ Resources Fund No 2. The treasury stock is valued at historical cost and is offset against the units on issue.



**LINQ RESOURCES FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2009**

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**8. Net Assets Attributable to Unitholders (continued)**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(d) Components of net assets attributable to unitholders</b>				
Included within closing net assets attributable to unitholders are the following:				
Net unrealised gains/(losses) in market value of securities	<u>(45,960)</u>	156,351	<u>(45,960)</u>	156,351

**(e) Franking Credits**

Balance at end of the year is \$Nil.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Cash and Cash Equivalents**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>(a) Reconciliation of cash and cash equivalents</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>

For the purposes of the Balance Sheet and Cash Flow Statement, cash and cash equivalents comprise:

- Cash at bank	<b>26,002</b>	33,349	<b>26,002</b>	33,349
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Cash at bank and in hand earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents approximates carrying value.

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>(b) Reconciliation of change in net assets attributable to unitholders to net cash flows from operating activities</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Change in net assets attributable to unitholders	<b>(195,180)</b>	79,342	<b>(195,180)</b>	79,342
<i>Adjustments for:</i>				
Distributions to unitholders	<b>1,701</b>	32,030	<b>1,701</b>	32,030
Change in fair value of investments	<b>205,671</b>	(90,115)	<b>205,671</b>	(90,115)
Net realised gains on sale of investments	<b>(22,998)</b>	(35,635)	<b>(22,998)</b>	(35,635)
<i>Changes in assets and liabilities:</i>				
Increase/(decrease) in fees payable	<b>(4)</b>	(23)	<b>(4)</b>	(23)
Increase/(decrease) in other accounts payable	<b>(3,412)</b>	3,243	<b>(3,412)</b>	3,243
Increase/(decrease) in deferred tax liabilities	<b>6,596</b>	-	<b>6,596</b>	-
(Increase)/decrease in accrued interest	<b>(232)</b>	134	<b>(232)</b>	134
(Increase)/decrease in GST recoverable	<b>102</b>	(34)	<b>102</b>	(34)
(Increase)/decrease in prepayments	<b>2,155</b>	(2,141)	<b>2,155</b>	(2,141)
<b>Net cash flows from/(used in) operating activities</b>	<b>(5,601)</b>	(13,199)	<b>(5,601)</b>	(13,199)

**(c) Non-cash financing and investing activities**

Non-cash financing and investing activities carried out during the year on normal commercial terms and conditions included:-

- Reinvestment of unitholders distributions	<b>6,673</b>	-	<b>6,673</b>	-
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**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>10. Auditors' Remuneration</b>				
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the Fund	<b>63,150</b>	62,650	<b>63,150</b>	62,650
- other services in relation to the Fund				
- Taxation advice	<b>82,830</b>	52,525	<b>82,830</b>	52,525
- Audit of the compliance plan	<b>10,000</b>	9,630	<b>10,000</b>	9,630
- Other assurance services	-	16,840	-	16,840
	<b>155,980</b>	141,645	<b>155,980</b>	141,645

**11. Director and Executive Disclosures**

**(a) Details of Key Management Personnel**

G. Toll – Chairman (non-executive)  
 C. Donner – Managing Director (executive)  
 B.G. Camarri (non-executive)  
 G. Fariss (non-executive)  
 N. Lattimore (non-executive)  
 J. Sim Baker (non-executive)

There were no changes of the Key Management Personnel after reporting date and up to the date the financial report was authorised for issue.

**(b) Compensation of Key Management Personnel**

The Board of LinQ Capital Limited determines the aggregate level of Director's fees. Directors' fees are reimbursed from the LinQ Resources Fund in accordance with the Fund's Constitution.

Remuneration of Directors is paid directly by LinQ Capital Limited and Directors' fees and expenses are reimbursed to LinQ Capital Limited in accordance with the Fund's Constitution. The Board assesses the appropriateness of the nature and amount of the fees paid to Directors by reference to relevant market conditions, the Board Charter and the Corporate Governance Overview Statement, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

**11. Director and Executive Disclosures (continued)**

The Key Management Personnel compensation paid or payable for the year and reimbursed by the Fund is as follows:-

Specified Directors	Position Held	Short-term	
		Fees <sup>1</sup>	Fees <sup>1</sup>
		2009	2008
		\$	\$
Gordon Toll	Non-Executive Chairman	100,000	100,000
Bruno Camarri	Non-Executive	90,000	90,000
Clive Donner	Managing Director	-	-
Graham Fariss	Non-Executive	55,000	55,000
Nicholas Lattimore	Non-Executive	45,000	45,000
Jyn Sim Baker	Non-Executive	45,000	45,000
<b>Total short- term</b>		<u>335,000</u>	<u>335,000</u>

1. Includes superannuation where applicable

**Unit and Option Holdings of Key Management Personnel**

Director	Balance		Net Change		Balance	
	01-Jul-08				30-Jun-09	
	Ord Units	Options	Ord Units	Options	Ord Units	Options <sup>1</sup>
Gordon Toll	-	-	-	-	-	-
Bruno Camarri	113,121	14,140	31,409	(7,070)	144,530	7,070
Clive Donner	740,191	92,520	205,517	(46,260)	945,708	46,260
Graham Fariss	165,000	20,622	35,501	(10,311)	200,501	10,311
Nicholas Lattimore	53,333	6,666	3,333	(3,333)	56,666	3,333
Jyn Sim Baker	-	-	-	-	-	-

1 - Represents Class C options, which expire on 16 June 2010.

All equity transactions with Key Management Personnel, which relate to the Fund's listed ordinary units and options, have been entered into on an arms length basis.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

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#### 12. Related Parties

##### (a) Responsible Entity

The Responsible Entity is LinQ Capital Limited (“LinQ”). LinQ is responsible for the day to day management of the Fund. Effective 10 March 2004 LinQ received its Australian Financial Services Licence (“AFSL”). LinQ’s licence is broadly for the provision of general advice to retail persons and personal advice to wholesale persons and entities, dealing in financial products and the operation of a registered scheme. Perpetual Corporate Trust Limited is the custodian of the Fund.

##### (b) Directors

The names of the persons who were Directors of LinQ at any time during the financial year and up to the date of this report were as follows: Mr Clive Donner, Mr Gordon Toll, Mr Graham Fariss, Mr Bruno Camarri, Mr Nicholas Lattimore and Ms Jyn Sim Baker.

##### (c) Fees and reimbursements

###### *Management fees*

- Under the Fund Constitution, the Responsible Entity is entitled to receive fees monthly in advance calculated at 1.75% (exclusive of GST) per annum on Gross Asset Value as defined under the Fund Constitution.

Management fees, excluding GST, paid to the Responsible Entity for the financial year.

- \$3,305,115 (2008: \$7,403,607) to LinQ Capital Limited.

###### *Performance fee*

- Under the Fund Constitution, the Responsible Entity is also entitled to an annual performance fee which is determined by reference to the prescribed formula in the Constitution. The performance fee is payable when the performance of the Fund, as measured under the requirements of the Constitution, over the performance calculation period exceeds the performance of the Small Resources Accumulation Index over the same performance calculation period. The Responsible Entity’s performance fee is calculated at end of the financial year and is payable after the end of the financial year, and after the auditor’s review of the calculation, on a date determined by the Responsible Entity.

Performance fee, excluding GST, payable to the Responsible Entity for the financial year is:

- \$Nil (2008: \$3,201,021) to LinQ Capital Limited.

###### *Reimbursed expenses from the Fund*

During the year the Responsible Entity incurred certain expenses on behalf of the Fund of \$721,078 (2008: \$412,276). These costs were reimbursed by the Fund in accordance with the Fund’s Constitution.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### 12. Related Parties (continued)

##### *Reimbursed directors fees from the Fund*

The Board determines the aggregate level of director's fees to be paid. During the year \$335,000 (2008: \$335,000) was paid or is payable to LinQ Capital Limited as a reimbursement of Director's fees for non-executive Board members. These amounts are included in the above reimbursed expenses.

#### (d) Related party transactions

Transactions between the Fund and the Responsible Entity during the year are outlined in note 12(c) above.

The following transactions with other related parties occurred during the year.

- (i) Mr Clive Donner is a Director and has an indirect interest in LinQ Capital Limited (the Responsible Entity) and LinQ Management Pty Ltd (the Investment Manager). LinQ Capital Limited receives a benefit as Responsible Entity of the Fund and LinQ Management Pty Ltd has an interest in LinQ Resources Fund pursuant to the rights and obligations under the Investment Management Agreement.
- (ii) LinQ Capital Limited received \$3,305,115 (2008: \$7,403,607) excluding GST, for the management of the Fund and is entitled to receive a performance fee of \$Nil (2008: \$3,201,021). LinQ Capital Limited is a wholly owned entity of Ashdon Nominees Pty Ltd, a company in which Mr Clive Donner is a Director.
- (iii) Mr Bruno Camarri was a former Partner and is now a consultant to Freehills, a legal firm. During the year ended 30 June 2009 the Fund paid Freehills the amount of \$106,135 (2008: \$949,007) in legal expenses. In addition, Mr Camarri also charged the Fund consulting fees of \$Nil (2008: \$225,557).

The Fund earned interest income of \$45,797 (2008: \$60,666) on interest bearing securities with Millennium Minerals Limited. Mr Donner is a Director of Millennium Minerals Limited.

All related party transactions are made in arms length transactions on normal commercial terms and conditions. Outstanding balances at year end are unsecured and settlement occurs in cash.

#### 13. Financial Risk Management Objectives and Policies

The strategy of the Fund in mitigating risk in the selection of financial assets is carefully managed by the Board and Management of the Responsible Entity. The investment strategy is regulated by broad investment guidelines. The investment strategy is encompassed by the following main guidelines. These guidelines can be amended at the discretion of the Board of the Responsible Entity:

- The Fund can invest in listed and unlisted smaller to medium sized Australian and overseas resource companies with market capitalisations of less than A\$3,000 million. The majority of investments are likely to be in Australian companies. However, the Fund may invest internationally.
- A sub-committee comprising at least 3 directors of the Responsible Entity can authorise the acquisition of investments with a cost of up to A\$3 million with amounts in excess of this being approved by the Board of the Responsible Entity. Investments with a cost of \$1million or less can be approved by senior management.
- The Fund may invest in companies involved in a wide variety of mineral commodities, in particular (but not limited to) precious metals, base metals, bulk minerals and energy.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### 13. Financial Risk Management Objectives and Policies (continued)

- The Fund may invest in companies across the full spectrum of the maturity curve from early stage exploration through to production. Depending on the nature of deal flow and market conditions, many of the Fund's investments are likely to be in pre-cash flow or emerging companies.
- The Fund may utilise a variety of investment instruments to manage risk and optimise returns but may not short sell.
- Investments may be held for a number of years. The Fund may hold shorter-term investments when appropriate opportunities arise which will assist the Fund in improving its investment returns.
- The Investment Manager will, in some cases, take a proactive involvement in investee companies through board representation (or other means) to maximise the value of the investments of the Fund.
- The Fund's minimum weighting to available cash is \$5m

The Fund engages in an on-market buy back of its units, which is designed to assist the Fund in maximising returns to unitholders. For information on the Fund's on-market buy back, refer to note 8. Since year end no units have been acquired through the Fund's on-market buy back program.

#### Financial risks

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk, market price risk, foreign currency risk and liquidity risk. The Responsible Entity reviews and agrees policies for managing each of these risks and they are summarised below. The Fund also monitors the market price risk arising from all financial instruments.

The financial position and performance of the Fund is reported to and monitored by the Board of the Responsible Entity on a monthly basis.

The Fund's accounting policies in relation to derivatives are set out in Note 1.

#### (a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments and the secured bank loan. The Fund's policy is to invest in accordance with the parameters as set out in the Constitution. The Fund's exposure to interest rate risk is set out below.

Interest rate risk is managed by investment of any surplus cash in short term deposits at variable interest rates so that the cash is available at short notice. Loans are provided at market rates for maximum periods as approved within the investment guidelines.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Fund that are not included in the table below are non-interest bearing and are therefore not subject to interest rate risk.

There were no off balance sheet activities.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

**13. Financial Risk Management Objectives and Policies (continued)**

**(a) Interest rate risk**

**Consolidated & Parent**

**30 June 2009  
On Balance Sheet**

	Weighted Average Effective Interest Rate	Floating Rate	Fixed interest rate			Total
			<1 Year	>1- <2 Years	>2- <3 Years	
	%pa	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>						
Cash	4.7%	26,002	-	-	-	26,002
Convertible notes and mezzanine facilities	10.1%	-	2,000	8,000	-	10,000
		26,002	2,000	8,000	-	36,002

There were no off balance sheet activities at 30 June 2009.

**Consolidated & Parent**

**30 June 2008  
On Balance Sheet**

	Weighted Average Effective Interest Rate	Floating Rate	Fixed interest rate			Total
			<1 Year	>1- <2 Years	>2- <3 Years	
	%pa	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>						
Cash	7.6%	33,349	-	-	-	33,349
Convertible notes and mezzanine facilities	10.1%	5,000	600	2,000	-	7,600
		38,349	600	2,000	-	40,949
<b>Financial liabilities</b>						
Bank loan secured	9.8%	35,592	-	-	-	35,592
		35,592	-	-	-	35,592

There were no off balance sheet activities at 30 June 2008.

The table at (e) below summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 50 basis points (2008: +/- 50 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the interest income.

**(b) Credit risk**

Credit risk is the risk that a counter party will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk is managed through investment in entities after adequate due diligence and analysis by the Responsible Entity. All investments are approved by the Board of the Responsible Entity.



**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

**13. Financial Risk Management Objectives and Policies (continued)**

**(b) Credit risk (continued)**

Concentrations of credit risk are minimised by the Fund primarily by:

- Carrying out all on market transactions through approved brokers.
- Settling non-market transactions with the involvement of suitably qualified legal and accounting personnel, both internal and external, with the support of the Responsible Entity.
- The Manager undertaking detailed due diligence on potential investments.

Receivables comprise interest accrued on interest bearing investments and the call deposit.

The maximum exposure to credit risk at 30 June 2009 is the carrying amount of the instruments noted in the table below.

The Fund's credit risk is concentrated amongst the following convertible notes, mezzanine finance facility and interest accrued thereon, which are not rated. The terms of these instruments are stated below:

<b>Consolidated &amp; Parent</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Maturity Dates</b>
	<b>\$000</b>	<b>%</b>	
<b>30 June 2009</b>			
Crescent Gold Limited convertible note	2,000	9.0%	Mar-10
Continental Coal Limited	8,000	12.0%	Jan-11
<b>30 June 2008</b>			
Crescent Gold Limited convertible note	2,000	9.0%	Mar-10
CopperCo Ltd subordinated debt	5,000	10.47%	Jun-10
Millennium Minerals Limited <sup>1</sup> convertible note	600	10.0%	Jan-09
1. Comprises two different facilities			

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### **13. Financial Risk Management Objectives and Policies (continued)**

##### **(c) Market price risk**

Market price risk represents the risk that the value of a financial instrument will fluctuate as result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The majority of the Fund's equity investments are publicly traded and are included in the ASX Small Resources index.

The table at (e) below summarises the impact of an increase/decrease of the ASX Small Resources index on the Fund's net assets attributable at 30 June 2009. The analysis is based on the assumptions that the index will increase/decrease by 10% (2008: 10%) with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and derivatives will move according to the historical correlation with the index. The impact mainly arises from the possible change in the fair value of listed equities.

##### **(d) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency, and transactional exposure arising from planned purchases or sales of securities.

The Fund's only foreign currency exposure is to six investments denominated in British pounds, Canadian dollars and US dollars and no hedging strategy is in place for these exposures. The carrying values for these investments were \$24,438,987 (2008: \$29,699,963).

The table at (e) below summarises the sensitivities of the Fund's investments to foreign currency risk. The analysis is based on the assumptions that the Australian dollar will weaken/strengthen by 10% (2008: 10%) against other currencies to which the Fund is exposed. The impact arises from the possible change in the fair value of equities denoted in foreign currencies.

##### **(e) Summarised sensitivity analysis**

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Fund's investments with the ASX Small Resources index and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market corrections resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

**13. Financial Risk Management Objectives and Policies (continued)**

**(e) Summarised sensitivity analysis (continued)**

Consolidated & Parent	Price risk		Interest rate risk	
	Impact on operating profit/(loss) before tax			
	-10%	+10%	-50BPS	+50BPS
	\$000	\$000	\$000	\$000
<b>30 June 2009</b>				
Financial assets	<b>-50,948</b>	<b>50,948</b>	<b>-130</b>	<b>130</b>
<b>30 June 2008</b>				
Financial assets	-62,948	62,948	-167	167
Financial liabilities	-	-	-178	178

Consolidated & Parent	Foreign currency risk					
	Impact on operating profit/(loss) before tax					
	-10%	+10%	-10%	+10%	-10%	+10%
	GBP	GBP	CAD	CAD	USD	USD
	\$000	\$000	\$000	\$000	\$000	\$000
<b>30 June 2009</b>						
Financial assets	<b>-182</b>	<b>182</b>	<b>-2</b>	<b>2</b>	<b>-2,261</b>	<b>2,261</b>
<b>30 June 2008</b>						
Financial assets	-1,329	1,329	-4	4	-1,637	1,637

**(f) Liquidity and cash flow interest rate risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established investment guidelines to ensure there is no concentration of risk.

## LINQ RESOURCES FUND

### NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

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#### **13. Financial Risk Management Objectives and Policies (continued)**

##### **(g) Liquidity and cash flow interest rate risk (continued)**

The Fund holds options with exercise or maturity dates ranging between September 2009 and February 2013. If these options were exercised at balance date the exercise amount would be \$15,838,000 (2008: \$25,472,000).

- Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise trade and other payables, distributions payable, and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days. Net assets attributable to unitholders are entirely payable on demand.

##### **(h) Fair value estimation**

The carrying amounts of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies recorded in Note 1.

#### **14. Segment Information**

##### **Industry segment**

The Fund operates solely in the financial investment industry.

##### **Geographical segments**

The Fund operates from one geographic location, being Australia, from where its investing activities are managed.

#### **15. Earnings per Unit**

Basic earnings per unit amounts are calculated by dividing the change in net assets attributable to unitholders and net profit attributable to unitholders by the weighted average number of units outstanding during the year.

Diluted earnings per unit is the same as basic earnings per unit.

At year end, there are 10,060,636 Class C Options on issue, which is exercised in June 2010 could be dilutive.

**LINQ RESOURCES FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2009**

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**15. Earnings per Unit (continued)**

The following reflects the income and unit data used in the basic and diluted earnings per unit computations.

	<b>Consolidated 2009 \$000</b>	<b>Consolidated 2008 \$000</b>
Net profit attributable to unitholders after tax	<u>(193,479)</u>	111,372
Weighted average number of units for basic and diluted earnings per unit (No.)	<u>166,689</u>	139,657
Basic earnings per unit for net profit attributable to unitholders (cents)	<u>(116.1)</u>	79.7
Diluted earnings per unit net profit attributable to unitholders (cents)	<u>(116.1)</u>	79.7

**16. Commitments and Contingencies**

LinQ Capital Limited, in its capacity as Responsible Entity for the Fund conducts an on-market buy back of Fund units.

At balance date, LinQ Capital Limited had bought back 2,927,289 units (2008: 13,897,084 units), with a balance of potentially 23,138,103 units to be bought back by the Fund on-market.

**17. Events after the Balance Sheet Date**

There has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

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## DIRECTORS' DECLARATION

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In accordance with a resolution of the Directors of LinQ Capital Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Fund and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Fund's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as when they become due and payable;

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2009; and

(d) the financial statements are in accordance with the provisions of the Fund's Constitution.

**On behalf of the Board  
LinQ Capital Limited**



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**Clive Donner  
Director**

**Perth**

26 August 2009

## Independent auditor's report to the unitholders of the LinQ Resources Fund

### Report on the Financial Report

We have audited the accompanying financial report of the LinQ Resources Fund (the Fund), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in net assets attributable to unitholders, and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Fund and the entity it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the Responsible Entity for the Fund are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

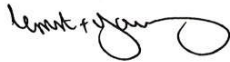
### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditor's Opinion**

In our opinion:

1. the financial report of the LinQ Resources Fund is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the LinQ Resources Fund and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz'.

G H Meyerowitz  
Partner  
Perth  
26 August 2009



## ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 August 2009.

### (a) Distribution of units

The numbers of unitholders, by size of holding are:

	Number of holders	Number of units
1 - 1,000	199	115,905
1,001 - 5,000	703	2,132,334
5,001 - 10,000	610	4,498,550
10,001 - 100,000	1,288	37,229,577
100,001 and over	126	193,729,768
<b>Total</b>	<b>2,926</b>	<b>237,706,134</b>

There are 186 unitholders holding less than a marketable parcel of units at 20 August 2009.

### (b) Twenty largest unitholders

The names of the twenty largest holders of quoted units are:

	<b>Twenty largest unit holders</b>	<b>Number of units</b>	<b>Percentage of units</b>
<b>1</b>	LINQ CAPITAL NO 2 PTY LTD <LINQ RESOURCES FUND NO 2 A/C>	67,640,071	28.46%
<b>2</b>	AUSTRAL-ASIA RESOURCES & INFRASTRUCTURAL INVESTMENTS PTY LTD WA LOCAL GOVERNMENT SUPERANNUATION PLAN PTY LTD	32,092,600	13.50%
<b>3</b>	FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD	18,246,389	7.68%
<b>4</b>	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	10,912,906	4.59%
<b>5</b>	BOND STREET CUSTODIANS LIMITED <OFFICIUM SPECIAL SITUATION A/C>	7,448,468	3.13%
<b>6</b>	BOND STREET CUSTODIANS LIMITED	4,621,031	1.94%
<b>7</b>	COAL INDUSTRY SUPERANNUATION FUND	3,410,282	1.43%
<b>8</b>	BRAZIL FARMING PTY LTD	3,158,333	1.33%
<b>9</b>	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,114,333	1.31%
<b>10</b>	COGENT NOMINEES PTY LIMITED	3,079,861	1.30%
<b>11</b>	MUTUAL TRUST PTY LTD <PINNACLE SUPER FUND A/C>	2,735,689	1.15%
<b>12</b>	HOWITT NOMINEES PTY LTD <THE CAPRICORN A/C>	2,498,019	1.05%
<b>13</b>	YANDAL INVESTMENTS PTY LTD	1,725,460	0.73%
<b>14</b>	CS FOURTH NOMINEES PTY LTD <UNPAID A/C>	1,606,739	0.68%
<b>15</b>	ULBISTER PTY LTD	1,442,287	0.61%
<b>16</b>	ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,324,827	0.56%
<b>17</b>	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,294,664	0.54%
<b>18</b>	NEVILLE WARD SUPER PTY LIMITED <THE NW WARD SUPER FUND A/C>	978,849	0.41%
<b>19</b>	BOND STREET CUSTODIANS LIMITED <JWWCH-MO0018 A/C>	946,948	0.40%
<b>20</b>	WOODCROSS HOLDINGS PTY LTD <LION SUPERANNUATION FUND A/C>	945,708	0.40%
		<b>169,223,464</b>	<b>71.20%</b>

**(c) Unquoted option securities**

• **Class C Options**

There are 10,060,632 unquoted class C options held by 2,712 option holders.

**(d) Substantial unitholders**

The names of substantial unitholders who have notified the Fund in accordance with section 671B of the Corporations Act 2001 are:

<b>Substantial Shareholder</b>	<b>Number of units</b>
LinQ Capital No 2 Pty Ltd	67,640,071
<LinQ Resources Fund No 2 A/C>	
Austral-Asia Resources and Infrastructural Investments Pty Ltd	<u>30,086,813</u>

**(e) Voting rights**

All units carry one vote per unit without restriction.

**(f) Transactions in securities**

During the year ended 30 June 2009, the Fund recorded 416 transactions in securities. Brokerage of \$570,724 (including GST) was paid or accrued on these transactions.

**(g) Investment Management Agreement**

The Responsible Entity ('RE') engaged LinQ Management Pty Ltd ('the Manager') to manage the Fund's portfolio on the terms and conditions recorded in an Investment Management Agreement ('IMA') dated 11 October 2004, a summary of which is included in a Product Disclosure Statement dated 11 October 2004.

Subsequent to this IMA, the investment guidelines contained in this agreement have been amended from time to time at the Manager's discretion.

## CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council has published the 'Revised Corporate Governance Principles and Recommendations'. LinQ Capital Limited ("LCL") in its capacity as Responsible Entity of the LinQ Resources Fund ("Fund") has complied with these Revised Principles, which are covered in more detail on the Funds website at [www.linqresources.com](http://www.linqresources.com)

More specific information on the Fund's corporate governance principles follows:

### Composition of the Board

The composition of the Board of LinQ Capital Limited is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 and a maximum of 12 Directors and should maintain a majority of non-executive Directors;
- the chairperson must be a non-executive Director;
- the Board should comprise Directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position	
Mr Gordon Toll	Chairman, Non-Executive	Independent
Mr Clive Donner	Managing Director	
Mr Graham Fariss	Non-Executive Director	Independent
Mr Bruno Camarri	Non-Executive Director	Independent
Mr Nicholas Lattimore	Non-Executive Director	Independent
Ms Jyn Sim Baker	Non-Executive Director	Independent

The Revised Corporate Governance Principles and Recommendations imply that the ideal is to have a Board consisting of a majority of independent non-executive Directors. The independence of each Director has been assessed according to the ASX's definition of independence. The Board has a majority of non-executive Directors (four of which are independent) and an independent Chairman.

It is a policy of LinQ Capital Limited that the Board comprises individuals with a range of skills, knowledge and experience necessary to monitor a specialist investment fund in the resources sector. For more than three years the current Board of Directors (except Ms Jyn Sim Baker who was appointed in November 2006) has demonstrated that they have a proper understanding of, and competence to deal with, the current and emerging issues of the Fund. Furthermore, the Board of Directors has demonstrated that it has the appropriate mix of skills, knowledge and experience to effectively review and challenge the performance of management and exercise independent judgement where necessary.

### Nomination Committee

The Board has established a nomination committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director. The nomination committee comprises two non-executive Directors and one executive Director. The nomination committee comprised the following members:

Gordon Toll (Chairman)  
Clive Donner  
Bruno Camarri

## **Code of Ethics and Conduct & Policy on Trading in Securities**

The Board has adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision making by Directors, executives and employees.

The Code of Ethics and Conduct requires high standards of honesty, integrity, fairness and equity in all aspects of employment with LCL. The Code also sets the task for management of delivering unitholder value, with the oversight of the Board, through the sustainable and efficient operation of LCL and the Fund.

The Board has also developed a written policy on personal account trading and inside information that governs trading in Fund securities and the securities the Fund invests in, or is likely to invest in, by Directors, executives, employees and associates of officers or employees, to ensure adherence to the requirements of LCL's AFSL, the Corporations Act and the Fund's Constitution.

## **Continuous Disclosure**

The Board has adopted a policy and procedures statement on Continuous Disclosure to ensure compliance with ASX Listing Rule and Corporations Act 2001 disclosure requirements and to ensure accountability at a senior management level for that compliance.

All Directors, officers and employees of LCL are required to comply with this and all other policy and procedures statements issued from time to time and to ensure adherence to these policies and procedures are required to sign an acknowledgement statement, which expressly states that they have received LCL policy statements and have read and understood them. Furthermore continuous training is provided to ensure that all officers and employees are kept abreast with and relevant changes made to the governing laws, rules and regulations.

## **Audit Committee**

The Board has established an audit committee, which operates under a formal charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Responsible Entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes.

This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive Directors.

The members of the audit committee during the year were:

Bruno Camarri (Chairman)  
Gordon Toll  
Graham Fariss

The audit committee is also responsible for:

- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory review.

## **Board Responsibilities**

As the Board acts on behalf of and is accountable to the unitholders, the Board seeks to identify the expectations of the unitholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The responsibility for the operation and administration of the Responsible Entity is delegated by the Board to the Managing Director and the management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the management team.

The Responsible Entity has adopted a formal Board Charter that sets out the functions reserved for the Board and those delegated to the Managing Director.

Specifically the Board is responsible for:

- setting strategic direction of the Fund and monitoring management's performance within that framework;
- monitoring and overseeing the day to day management of the Fund which is undertaken by the Manager in accordance with the Investment Management Agreement;
- monitoring and approving financial reporting for LinQ Capital Limited and the Fund;
- monitoring risk management, corporate governance and capital management for LinQ Capital Limited and the Fund; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Fund.

The Chairman is responsible for leading the Board in these duties. The Managing Director is responsible for the efficient and effective operation of LinQ Capital Limited, including bringing material matters to the attention of the Board.

Remuneration of the Responsible Entity is governed by the Fund's Constitution. The external auditor reviews the fees paid to the Responsible Entity out of the assets of the Fund at least annually. The Board therefore considers it not appropriate to have a remuneration committee.

## **Monitoring of the Board's Performance and Communication to Unitholders**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the unitholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the unitholders through:

- the annual report, which is distributed to all unitholders who have elected to receive it;
- the half-yearly report, which is released to the market; and
- the quarterly report summarising the Fund's activities in the past quarter, which is distributed to all unitholders.

LCL also communicates with unitholders in the Fund by direct mail and publication of material on the Fund's web site (<http://www.linqresources.com>). Unitholders may communicate with LCL by writing to or telephoning the Company, the contact details of which appear in the Corporate Directory.

The Fund is a registered managed investment scheme and, as such, LCL is not required to convene an annual general meeting for the scheme.

## **LINQ RESOURCES FUND**

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### **MANAGEMENT AND ADMINISTRATION**

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#### **RESPONSIBLE ENTITY**

LinQ Capital Limited  
Australian Financial Services Licence 239785

#### **MANAGER**

LinQ Management Pty Ltd

#### **REGISTERED OFFICE**

Level 2, 41 – 43 Ord Street, West Perth, WA, 6005  
Telephone: +61 (0)8 9488 8888 Fax: +61 (0)8 9481 0666

#### **UNIT REGISTRY**

Computershare Investor Services Pty Ltd, 452 Johnstone Street, Abbotsford, Vic, 3067  
Telephone: +61 (0)3 9415 5000 Fax: +61 (0)3 9473 2500  
Investor Queries within Australia: 1300 850 505

#### **OPERATING OFFICE**

LinQ Capital Limited  
Level 2, 41 – 43 Ord Street, West Perth WA 6005  
Telephone: +61 (0)8 9488 8888 Fax: +61 (0)8 9481 0666

#### **DIRECTORS OF THE RESPONSIBLE ENTITY**

Mr Gordon Toll  
Mr Clive Donner  
Mr Graham Fariss  
Mr Bruno Camarri  
Mr Nicholas Lattimore  
Ms Jyn Sim Baker

#### **SECRETARY OF THE RESPONSIBLE ENTITY**

Mr Simon Durack  
Level 2, 41 – 43 Ord Street, West Perth WA 6005

#### **CUSTODIAN**

Perpetual Corporate Trust Limited  
Level 12, Angel Place, 123 Pitt Street, Sydney NSW 2000

#### **AUDITORS AND TAX ADVISERS TO THE FUND**

Ernst & Young  
11 Mounts Bay Road, Perth, WA 6000