LinQ Resources Fund

September 2010 Quarterly Investment Update

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A word from your Manager

LinQ Capital Limited ABN 66 098 197258, your Manager of the LinQ Resources Fund ARSN 108 168 190 (the "Fund"), is pleased to present the following highlights for the September Quarter 2010.

Overview

LinQ Resources Fund is an actively managed mineral resources Fund which specialises in investments in resources companies both in Australia and overseas. The strategy of the Fund revolves around investment in companies at all stages of development from exploration through to production. The focus is on a wide variety of mineral commodities, in particular precious metals, base metals, bulk minerals and energy with portfolio exposure through a single listed vehicle. Investments are targeted predominantly in companies in the later stages of exploration and economic evaluation.

Quarter highlights

- Markets generally improved over the quarter with the Fund and major stock indices, both global and local (FTSE, DOW and ASX) increasing in value.
- The Fund's Net Tangible Asset ('NTA') backing per unit increased by 4.81% to $1.09. The unit price remained the same as last quarter closing at $0.69 increasing the discount to NTA by 3%.
- The Fund reduced its investment holdings in some of its core positions in iron ore, coal and gold in line with its strategic direction and to further improve its cash position.
- Major base metals (copper, nickel, zinc, lead) increased significantly in value of between 20% and 34% quarter on quarter, outperforming gold which increased in value by 5%.
- European sovereign debt risk concerns continued to loom with Ireland entering into the top 10 riskiest sovereign debtors.
- Pressure from the United States and the European Union emerged over China's Yuan exchange rate policy.

LinQ Resources Fund – key market statistics

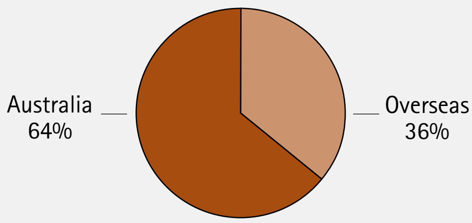
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010
Unit Price (LRF)	$0.63	$0.65	$0.69	$0.69
Net Tangible Assets (NTA)	$0.96	$1.06	$1.04	$1.09
Discount to NTA	34%	39%	34%	37%
Units on Issue[1]	170.6 million	170.6 million	174.0 million	175.1 million

Based on NTA, the Fund has continued to outperform the major global stock indices (DOW, FTSE), the Australian All Ordinaries, the S&P/ASX 300 Metal & Mining and the S&P/ASX Small Resources indices over the past year. Quarter on quarter the S&P/ASX Small Resources index was the stand out up 23.57% recovering from value decline experienced in the past two quarters. During the quarter the Small Resources and Metal & Mining indices outperformed the Australian All Ordinaries, a positive sign for the resources sector. Overall, despite the ongoing concern over the Federal Government's proposed Mineral Resources Rent Tax (MRRT) and global economic uncertainty, there were positive indicators for the resources sector.

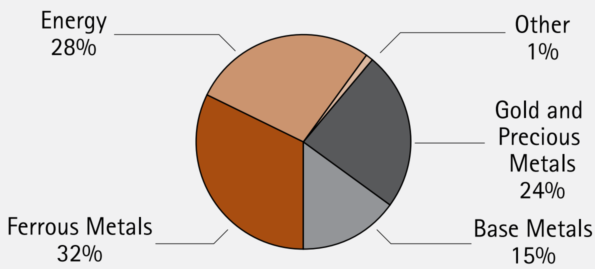
Fund value during the quarter was driven by strong prices across all commodities and in particular gold and base metals (Figures 1 & 2), with some gold stocks held by the Fund increasing in value by over 80% and 90%. Performance of base metal stocks was also exceptional. The Fund rebalanced its holding structure during the quarter making a number of strategic acquisitions as well as divestments. The strategic rebalancing positions the Fund to take advantage of investment opportunities that are presenting and is also in line with the Fund's proposal to move to an enhanced investment strategy (refer Notice of General Meeting and Explanatory Memorandum released to the ASX on 11 October 2010).

The Fund's exposure by location, commodity, instrument and project stage is shown in the pie charts below.

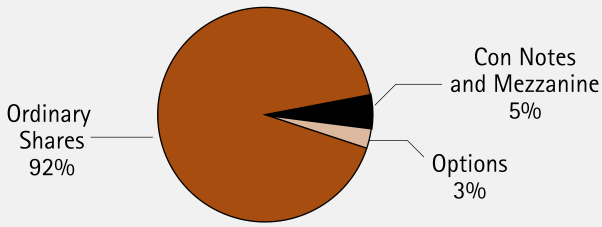
Geographical Exposure*



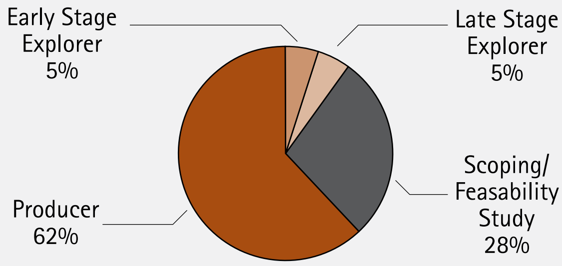
Exposure by Commodity



Exposure by Instrument**



Exposure by Project Stage



* Based on weighting of project location 50%, listing domicile 25% and management location 25%. ** Excluding cash.
[1] Excludes LRF 2 units which are excluded on a consolidated basis.

COMMENTARY

The gold price continued to rise over the quarter increasing over 5% quarter on quarter (Figure 2). This strengthening of the gold price is considered to be a result of continued concerns over sovereign debt - especially in European countries and the weakness of the United States economy and hence the perception of the US dollar. The base metals index performed more strongly than the previous quarter returning closer to the values seen at the end of the March 2010 quarter (Figure 1). Fittingly, the Baltic Dry Index (key indicator of global shipping volumes of bulk materials as reflected in shipping prices) seemed to follow the pricing trend of base metals climbing around 30% from the mid July 2010 lows (Figure 4).

Similar to the commodity markets, global and local equity markets also experienced positive growth over the quarter. The FTSE 100 index and the Dow Jones Industrial Average both rose over 10% to be in line with their closing values at the end of the March 2010 quarter. Locally, the All Ordinaries index also improved in value by over 7% quarter on quarter but still closed 256 points lower than its March 2010 value.

Global economic recovery continued during the quarter led by strong economic activity in emerging Asia, particularly China and India, while OECD countries' economic growth has been modest (ABARE-BRS). Despite sovereign debt issues appearing to have cooled, there are still signs for concern in the euro zone with Ireland, Greece and Argentina all being ranked in the top 10 riskiest sovereign debtors by CMA Datavision. Concern over the sustainability of economic recovery in the United States and Japan has also emerged according to ABARE-BRS with consumer spending in major OECD countries continuing to lag (ABARE-BRS).

Despite world economic growth expected to be driven by non-OECD Asia, the overall outlook for world economic growth remains uncertain. Emerging economies rely on export markets of OECD countries namely the United States, Japan and Western Europe to support their economic growth. Without the trade and investment links between the emerging and OECD economies there is concern over the ability for emerging economies to drive world economic growth (ABARE-BRS).

Exchange rate pressures around the globe have led to recent debate and buy in from the United States (US) and the European Union (EU) regarding China's exchange rate policy for the Yuan. China advised that it would implement a reform of its currency regime as announced in June, making the exchange rate more flexible but has pushed back against pressure from the EU and US to revalue the currency (euractiv.com). During the quarter the Australian dollar traded at US$0.82 lows in June and US$0.97 highs in September prompting considerable speculation over future foreign exchange rates and the economic recovery of the United States.

Locally, when interest rates were predicted to rise, the Reserve Bank of Australia has kept interest rates on hold for the quarter. The hold on rates may be to stimulate growth with substantial budget deficits and high levels of public sector debt (as a percentage of GDP) potentially limiting future government stimulus spending. Business and consumer surveys released recently indicate improved confidence, while the unemployment rate remains low (ABARE-BRS). Economic growth in Australia is assumed to average around 3% in the 2010-11 year, however inflationary pressure will need to be monitored closely (through monetary policy) with the inflation rate estimated to be around 3.2% in the 2010-11 year (ABARE-BRS). There is generally a negative correlation between rising interest rates and equity values.

Unit export returns for Australian mineral resources and metals and other minerals are forecast to rise by 21.2% and 24.1% respectively in the 2010-11 year (ABARE-BRS). Minerals and energy commodities are expected to have a value of approximately $179.9 billion in the same period driven mainly by increased prices and shipments for coal and iron ore (ABARE-BRS).

In summary, the Australian economy seems to be quite resilient amongst other OECD countries, which is primarily attributable to the development and export revenues from the mining sector.

Figure 1: Base Metals – 6 Month Performance (GFMS)[1]

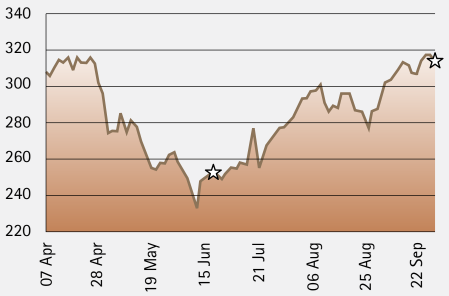


Figure 2: Gold – 6 Month Performance[1]

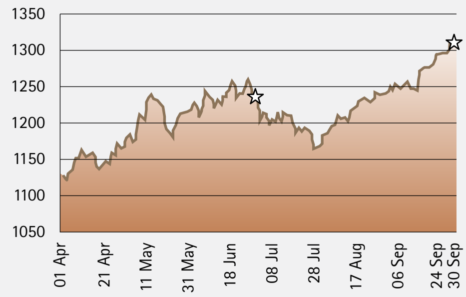


Figure 3: Coal – 12 Month Dow Jones U.S. Coal Index[2]

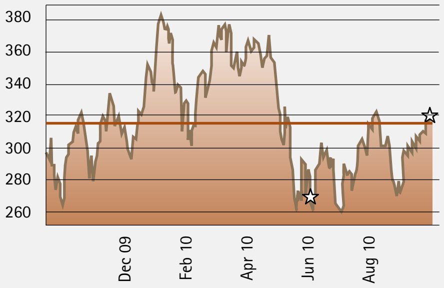
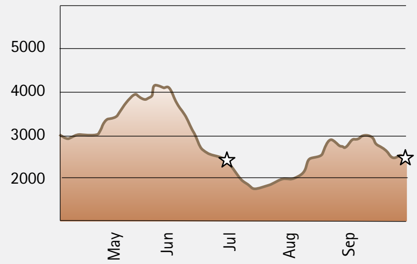


Figure 4: Baldry – 6 Month Performance[3]



[1] Source: Kitco.com [2] Source: Advfn.com [3] Source: Bloomberg

LinQ Resources Fund – Top 5 investments as at 30 September 2010

Company	Key Project Domicile	Commodity Focus
Ferrous Resources Limited	Brazil	Iron Ore
Riversdale Mining Limited	Southern Africa & Mozambique	Coal
Atlas Iron Limited	Australia	Iron Ore
Newcrest Mining Limited	Australia, Indonesia, PNG & West Africa	Gold
Continental Coal Limited	South Africa	Coal

FERROUS RESOURCES LIMITED

Ferrous is a large unlisted Brazilian iron ore company, which has a number of projects located within the world class Iron Quadrilateral region of Brazil. These projects have a current mineral resource of over 4.5 billion tonnes and an additional 1.9 billion to 2.6 billion tonnes in exploration potential, reported in accordance with JORC (2004) guidelines. Significant events for the quarter are as follows:

- An new Board of Directors has been appointed with seven directors departing, five of which remain as either officers or consultants of the Company;
- The appointment of Deutsche Bank as exclusive financial advisor for the Company;
- Successful compliance with protocol to allow for the awarding of the Installation Licence (IL) for the production of 15 million tonnes per year at Viga Mine;
- The Brazilian Environmental Agency accepted the Environmental Impact Statement which is a requirement for granting the Previous License of the pipeline relating to the system linking the Viga Mine to the seaport terminal in Presidente Kennedy.

RIVERSDALE MINING LIMITED

Riversdale is an anthracite coal producer in Southern Africa with a large coking coal project in Mozambique. The company's large land holding in Mozambique in the Moatize Basin has been identified as a world class coking coal belt. Significant events for the quarter are as follows:

- CSR results confirmed the Zambeze coal project as a hard coking coal project. These initial CSR results come from two coal seams which will make up more than half of Zambeze's production for the first 30 years of mine life. Further test work is necessary to consolidate the findings;
- Firsts exports of coal from the Benga project in Mozambique is expected in the second half of 2011; and Effective from the close of business on 8 October 2010 Riversdale will be included in the S&P/ASX100.

ATLAS IRON LIMITED

Atlas is an iron ore producer in the Pilbara region of Western Australia and is targeting exports at an annualised rate of 6 million tonnes by the end of 2010. Significant events for the quarter are as follows:

- Merger with Aurox Resources Limited (Aurox) finalised;
- A 50% increase in Reserves for the northern Pilbara Projects taking the revised Reserve estimate for the Northern Pilbara Projects, which comprise the Pardoo, Wodgina, Abydos and Mt Webber projects, to 53.7 Mt grading 57.7% Fe. This Reserve figure includes the maiden reserve at Mt Webber of 19.1 Mt at 57.6% Fe (Reserves at Mt Webber are subject to Joint Venture interests in the ratio Atlas Iron 70% : AJM 30%); and
- Delivery of ore to the new Utah Port in Port Hedland from Wodgina and Pardoo mines and the first loading onto ship commenced during the quarter.

NEWCREST MINING LIMITED (FORMER INVESTMENT HELD WITH LIHIR GOLD LIMITED)

Newcrest is a leading international gold company and one of the world's lowest cost gold producers. The company is Australia's largest gold producer and is now a global top 5 gold mining company. Significant events for the quarter are as follows:

- In line with the Scheme of Arrangement Newcrest successfully acquired all of the issued shares of Lihir Gold Limited. All shares in Lihir have now been acquired by Newcrest;
- Mining projects and operations of the new merged entity are located in Australia, Papua New Guinea, Indonesia, Cote d'Ivoire (West Africa) and Fiji;
- Estimated annual production of the merged entity is 2.74 Moz and forecast to be 3.75 Moz in the 2014 financial year;
- Cash costs are estimated to be US$351/oz of gold following the merger; and
- Gold Resource and Reserve estimates following the merger are estimated to be 136 Moz and 77 Moz respectively.

CONTINENTAL COAL LIMITED

Continental Coal is an ASX listed emerging Southern African focused coal company which has a 74% interest in over 370 million tonnes of combined coking and export grade thermal coal in Southern Africa. Significant events for the quarter are as follows:

- Production of 101,899 tonnes of coal at the Vlakvarkfontein coal mine in South Africa was achieved in July 2010. Sustained coal production levels of 100,000 tonnes of thermal coal per month is expected to be achieved in the December 2010 quarter and beyond;
- Continental Coal will acquire two highly prospective coal projects covering an area of 964 km² in Botswana following execution of Share Sale and Option Agreements to acquire South African thermal coal mining and producing company Mashala Resources. An Exploration Target of 6.6 billion tonnes of coal has been determined, of which 2.7 billion tonnes of coal at shallow to moderate depth can potentially be exploited by conventional mining methods. It should be noted the Exploration Target is conceptual in nature and is not compliant with the JORC (2004) standards.

Outlook

Economic indicators and market conditions suggest that recovery from the global economic crises will continue to be slow and we expect to continue to see a two speed environment with emerging economies leading the economic drive. The current market continues to present opportunities to the Fund and your Manager is positioning the Fund to best take advantage of these opportunities. The recent release of the proposed strategic shift of the Fund is just one means by which your Manager is looking to better capitalise on opportunities and drive additional value for Unitholders.

Pressure on the finance sector and the restrictive lending conditions from banks to mining enterprises will continue for some time. The use of convertible notes and other similar structured finance instruments remains an excellent structure to mitigate risk whilst maintaining upside for the Fund and is a key investment strategy. Current deal flow is in abundance and is providing an excellent opportunity to identify and capitalise on undervalued resource assets and securities.

Details and the introduction of the MRRT are likely to be resolved in at least a preliminary stage during the current term of Government (assumed 3 years), however stability of the minority government is uncertain and may result in an election before the Government's full term is served. The opposition party indicated prior to the election that it does not support the new MRRT.

The Fund released to the ASX on 11 October 2010 the Notice of General Meeting and Explanatory Memorandum to Unitholders. Your Board has proposed in the Notice to adopt an enhanced investment strategy to optimise returns from the Fund's investments and the value of the Fund's units. The Fund plans to implement this strategy by becoming more actively involved in selected investments and by increasing the weighting in the portfolio to more direct investments in projects, royalties and assets. Ultimately this will result in your Fund receiving a mix of direct profit streams from these sources (which should provide better annuity earnings and hence drive the Fund's units towards a price/earnings valuation rather than net tangible asset value as the case is currently). The Fund will still receive distributions and dividends from its passive investment positions.

"PAPER FREE" invitation: Unitholders who wish to receive their quarterly update electronically may do so by contacting LinQ at info@linqresources.com and requesting to receive their copy of the quarterly to their nominated email address.

About the LinQ Resources Fund

LinQ Capital Limited (ABN 66 098 197258) is the Responsible Entity of the LinQ Resources Fund (ARSN 108 168 190). The LinQ Resources Fund is a registered managed investment scheme, which successfully completed an initial public offer and listed on the Australian Securities Exchange on 20 January 2005 (ASX code LRF). The Fund has become a public trading Trust for tax purposes. Further information about the LinQ Resources Fund can be found on the website www.linqresources.com or by contacting info@linqresources.com.