LinQ Resources Fund

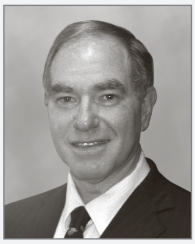
September 2011 Quarterly Investment Update

LinQ Capital Limited
LinQ House, Level 1
17 Ord Street
West Perth WA 6005

Telephone: (08) 9488 8888
Facsimile: (08) 9481 0666

Email: info@linqresources.com
Website: www.linqresources.com

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 2011.

OVERVIEW

LinQ Resources Fund is an actively managed Fund which specialises in mineral resource company investments both in Australia and overseas. The Fund invests passively and actively in companies and projects, primarily at the later stages of development. The focus is on a wide variety of mineral commodities, in particular precious metals, base metals, bulk minerals (mainly coal and iron ore) and energy.

THE QUARTER IN REVIEW

- In August, Standard & Poor's rating agency downgraded the US long term AAA credit rating to AA+, sparking a quarter of enhanced stock market volatility. The downgrade was to be shortly followed by similar moves from the international credit rating agencies for several other developed economies including Japan, Italy, Portugal and Greece.
- Global markets pulled back due to investors' wariness of governments, and in particular the European Union's inability to demonstrate quick and decisive actions to address their sovereign debt positions. Combined with sluggish economic data, the DOW, FTSE and XAO were all down by 12.1%, 13.7% and 12.7% respectively from last quarter. In line with the drop in prices across most commodities with the exception of gold, the XMMAI and XSRAI also closed the quarter down by 19.4% and 13.5%, respectively.
- LRF's Net Tangible Assets ('NTA') per Unit held up better than the overall drop in commodity prices over the quarter, decreasing by 9.3% to $1.17. Prevailing market conditions continue to offer compelling opportunities for the Fund as it can take advantage of market (over) reactions in under-priced quality assets and operations.
- Portfolio update:
  - Atlas Iron Limited successfully declared its bid for FerrAus Limited unconditional thus underscoring the company's track record of creating a larger iron ore player through accomplished M&A activity;
  - Ferrous Resources Limited made further significant advancement in the engineering and approvals for its infrastructure network (rail and port). Meanwhile, quarterly sinter feed production from two of its operations was 675,000 tonnes and will increase with its third operation coming on stream for an initial annual production target of some 5 Mtpa prior to the commissioning of its main project;
  - Millennium Minerals Limited initiated project construction of its gold mine in Western Australia and it is anticipated that construction of its 1.5 Mtpa project will be commissioned in September next year delivering some 80,000 oz of gold per annum;
  - Newcrest Mining Limited, a large scale gold producer, upgraded its Wafi-Golpu resources to 26.6 million ounces of gold and 9 million tonnes of copper further cementing its position as a top 5 global gold producer; and
  - Zambezi Resources Limited, an emerging copper producer, announced its $15 million funding arrangement which should see the company funded through the feasibility study stage.
- LRF's lead participation in the financing arrangement of Zambezi Resources Limited through a first $5 million convertible note tranche in the company, secures the Fund's position as a strategic investor whilst generating direct interest revenue income for the Fund as part of the Enhanced Investment Strategy.

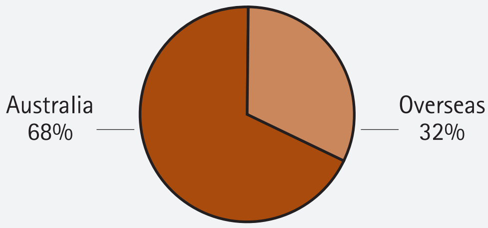
LinQ Resources Fund – key market statistics

	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Unit Price (LRF)	$1.00	$0.99	$0.85	$0.68
Net Tangible Assets (NTA)	$1.38	$1.45	$1.29	$1.17
Units on Issue[1] (millions)	117.6	115.8	115.4	115.8

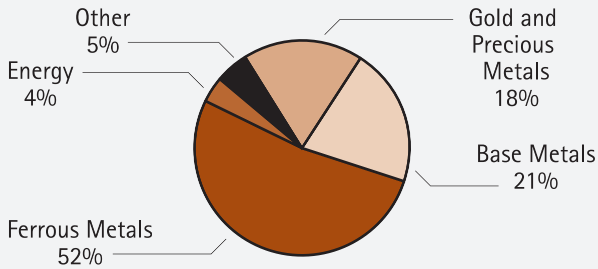
[1] Excludes LRF 2 units which are excluded on a consolidated basis.

The Fund's exposure by location, commodity, instrument, and project stage as at 30 September 2011 is shown in the figures below.

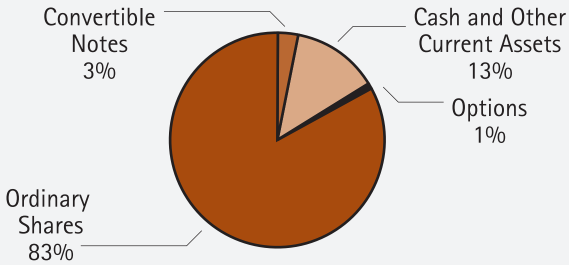
GEOGRAPHICAL EXPOSURE*



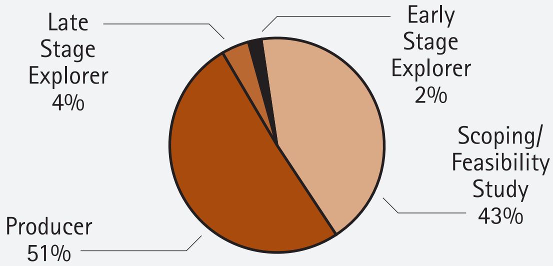
EXPOSURE BY COMMODITY



EXPOSURE BY INSTRUMENT



EXPOSURE BY PROJECT STAGE



* Based on weighting of project location 50%, listing domicile 25% and management location 25%

LinQ Resources Fund – Top Investments as at 30 September 2011

Company	Project Location	Commodity
Atlas Iron Limited	Australia	Iron Ore
Ferrous Resources Limited	Brazil	Iron Ore
Millennium Minerals Limited	Australia	Gold
Newcrest Mining Limited	Australia, Indonesia, PNG & West Africa	Gold/Copper
Zambezi Resources Limited	Zambia	Copper

ATLAS IRON LIMITED

Atlas is an iron ore producer in the Pilbara region of Western Australia currently exporting direct shipping ore (DSO) at an annualised rate of approximately 6 million tonnes and is targeting exports at an annualised rate of 12 million tonnes by the end of 2013. Significant events for the quarter are as follows:

- announcement of a strategic alliance between Atlas and Centaurus Metals Limited made on 27 July envisaging Atlas to acquire an equity stake of 19.9% in Centaurus for $18.7 million;
- Atlas announced its maiden profit of $169 million accompanied by a maiden dividend of $0.03/share; and
- on 8 September, Atlas declared its off-market offer for FerrAus Limited unconditional. As at 27 September 2011, Atlas held an interest of 96.14% in FerrAus. The combined entity will have a billion tonnes of DSO mineral resources. The proposed transaction is expected to close in the third quarter of 2011.

FERROUS RESOURCES LIMITED

Ferrous is a large unlisted Brazilian iron ore company, which has a number of projects located within the world class Iron Quadrangle 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.

Ferrous aims to produce 25 Mtpa iron ore by 2014, expanding to 62 Mtpa by 2016. Significant events for the quarter are as follows:

- the company was granted access to the National Interconnected System (SIN), the national grid of electrical power, connecting the Viga mine in Congonhas (MG) and the Port Terminal in Presidente Kennedy (ES) to the grid. The total investment for Ferrous, including the construction of transmission lines, comes to R$40M. The connection will provide Ferrous a competitive advantage as the rates for use of electricity through the SIN are lower than those from other distribution systems;
- Ferrous obtained a production license during August this year for its Santanense mine in Itatiauçu (State of Minas Gerais) allowing it to produce 864 ktpa of ore which is additional to the 675kt sinter feed produced last quarter from other operations. Production will be increased to 5 Mtpa by 2015. The rate of production at the Santanense mine will eventually match both the Esperança and Viga mines;
- on 1 September Ferrous announced the granting of an installation license for a railway loading terminal at the Viga mine. The railway terminal is part of Ferrous' long term infrastructure development and is expected to be completed in 90 days; and
- Deutsche Bank is continuing to seek a buyer and or partner for the company to help develop its large iron ore projects.

MILLENNIUM MINERALS LIMITED

Millennium Minerals is an emerging gold producer focused on the exploration and development of a large tenement portfolio in the East Pilbara region of Western Australia. The company encompasses a large gold inventory of 1.1 million ounces in Nullagine and a secondary molybdenum project. Over the quarter the main developments included:

- update on the company's latest drilling results which included a 43 hole (RC) drilling program. The new results confirm the potential of a robust and shallow ore tenor mineralisation for at least 140 meters to the south of the current proposed Shearers pit design limit, which will be included in the updated Ore Reserves later this year;
- manning up and preparation for the project's development including detailed designs, start of village construction and tender preparation (and award of others) for processing plant site works and equipment supply and installation;
- announcement of a joint venture agreement with Novo Resources Corp (CNSX:NVO) that provides Novo with an exclusive right to earn a 70% interest in the tenements of the Beatons Creek conglomerates, Western Australia. These tenements are not integral to Millenium's Nullagine Gold Project, but Millennium could ultimately benefit from the development of the Beatons Creek tenements; and
- a successful rights issue raising approximately $25.5 million was completed during September 2011 with the proceeds providing the equity funding for the construction of the Company's Nullagine Gold Project.

NEWCREST MINING LIMITED

Newcrest Mining 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. The company is continuing to consolidate its operations in Australia, Papua New Guinea and Côte d'Ivoire since it acquired the assets of Lihir Gold Limited during the last quarter of 2010. Key events over the quarter were as follows:

- Newcrest announced an increase of the Wafi-Golpu resources in July, following an extensive drilling programme on the Golpu porphyry deposit. Current resources are estimated at 26.6 million ounces of gold and 9 million tonnes of copper, up from 16 million ounces of gold and 4.9 million tonnes of copper previously; and
- the annual results for the financial year ending 30 June 2011 highlighted the extent of the successful integration of the Lihir operations resulting in pre-tax synergies to date of $63 million. Impressive EBITDA and EBIT margins of 50% and 38% respectively boosted earnings and an increase in dividend by 20% to $0.30 per share. In addition Newcrest announced a first time special dividend of $0.20 per share. Group Mineral Resources were up - gold by 9% to 147.5 million ounces and copper by 15% to 19.91 million tonnes while Group Ore Reserves also increased with gold up by 3% to 80 million ounces and copper up by 6% to 8.36 million tonnes. Gold production for the year was 2.53 million ounces and is set to increase in the range of between 2.78 million ounces and 2.93 million ounces for the current financial year. Copper production amounted to 75,631 tonnes.

ZAMBEZI RESOURCES LIMITED

Zambezi Resources is a Zambian based minerals exploration company holding significant tenements in the lower Zambezi region south east of Lusaka. The company's many activities are the exploration of copper, gold, limestone and uranium resources. The most significant project to date is the Kangaluwi Copper Project which has approximately 23 million tonnes grading 0.85% Cu of combined Indicated and Inferred JORC Mineral Resources. The Kangaluwi Copper Project was issued a 25 year Large Scale Mining License in February this year. During the quarter the key developments included:

- in July, the company announced the successful negotiation of a $15 million funding arrangement to support the company to feasibility study stage. The arrangement included a $10 million convertible note underwritten by LinQ and on 28 September the company confirmed the draw-down of $5 million as a first tranche of the $10 million convertible note financing facility; and
- a second batch of assay results, part of a 27,000 m drilling program announced during September highlight higher grade results for the Kangaluwi Copper Project. The respective assays identified promising intersections including 5 m @ 1.58% Cu from 87 m and 25 m @ 1.27% Cu from 159 m at the Chisawa prospect and intersections of 3.5 m @ 1.49% Cu from 92 m and 8 m @ 1.28% from 113 m for the Kalulu prospect.

COMMENTARY

Similar to last quarter, this quarter was marred by concerns over ongoing sovereign debt risks and poor economic growth both in America and Europe. Investors are frustrated by the indecisiveness with which politicians are responding to the issues. In turn, this has led to lower investor confidence and until there is any positive impact by political and economic solutions on the real economy, we will continue to see volatility in the equity markets in the short term. The impact on commodity prices saw a retreat from previous record high levels with bulks (such as iron ore) down some 40% while oil and base metals prices were about 20% lower. The DJ US Coal and the DJ US Iron Ore & Steel indices were lower by 45.4% and 38.1% respectively at the end of the quarter, while the WTI Oil index was off 17% over the period. Among base metals, copper prices were 23.3% lower as at 30 September while nickel, lead and zinc were down 20.8%, 21.4% and 17.7%, respectively. The Brent crude stood at US$110.8 at 30 September 2011 down 2.5% compared to the previous quarter. Conversely, the Baltic Dry Index shot up half way through August and currently is at 1,899 – representing an increase of 34% over the previous quarter. Consequently, inflationary pressures receded over the period allowing central banks to loosen or at least avoid tightening monetary policies and in turn spur economic activity.

A sentiment-driven equities market, saw all major market indices record big swings during the quarter. At the close on 30 September, the Dow Jones was down 12.1%, the FTSE down 13.7% and the XAO down 12.7%. In line with a more pronounced drop off in commodity prices, the XMMAI and XSRAI were down 19.4 and 13.5%, respectively.

Nonetheless, the upward revision of US GDP data for the second quarter to June from 1.0% to 1.3%, provided some reprieve to the markets. Equally, emerging market activity, although feeling some pinch from a slow-down in global activity, continued their relative strong performance providing further fare for investor composure.

As mentioned in earlier Newsletters, the main beneficiary of the sovereign debt crisis and consequential heightened market volatility is gold, underscoring investors' perception of the commodity as a safe haven investment. Gold continued to strengthen closing the quarter 7.9% higher than the previous quarter at $1,622/oz (Figure 2). With market uncertainty and volatility expected to persist in the foreseeable future, gold is expected to remain at elevated price levels.

Figure 1: Base Metals Index Performance:
6 Months to 30 September 2011 (GFMS)

Figure 3: Coal Price Performance:
6 Months to 30 September 2011 (InfoMine)

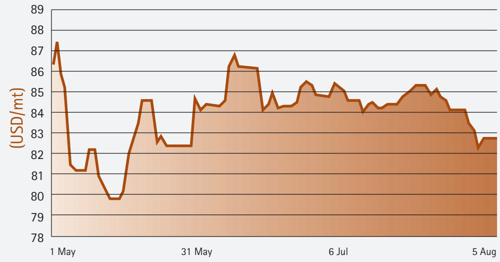


Figure 2: Gold Price Performance:
6 Months to 30 September 2011 (InfoMine)

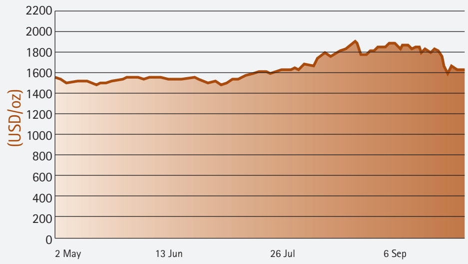
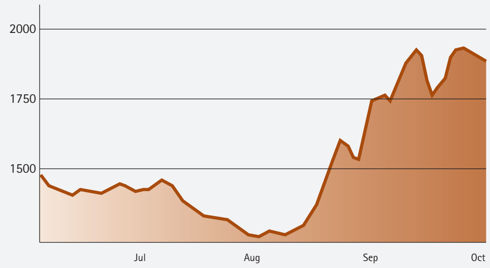


Figure 4: Baldry Price Performance:
6 Months to 30 September 2011 (Bloomberg)



Demand for commodities in general will likely continue to be driven by demand from emerging markets (in particular China and India) for the remainder of the year, whilst it is anticipated that the OECD countries will contribute moderately to this demand in 2012. This is in line with anticipated world GDP growth of 3.8% in 2011 which is expected to increase by 4% in 2012 (ABARES). Whilst continued growth in demand for commodities may support current price levels, production increases from 2012 onward may have a downwards effect as is expected for iron, coal, nickel and aluminum prices (BREE). A slowdown in the growth trajectory of commodity prices will help to off-set inflationary pressures which to date have prevented many central banks from loosening their monetary policies to support domestic demand.

Australia's headline Consumer Price Index (CPI) increased 3.1% over the period 2010-2011 and in line with previous expectations and the Reserve Bank of Australia's (RBA) 2%-3% target inflation range. A stable outlook for the period 2011-2012 has resulted in the RBA keeping benchmark interest rates unchanged during the quarter at 4.75%, leaving the rate unchanged since November 2010.

The Australian dollar ended the quarter at US$0.97 following a softening in commodity prices and is expected to average US$1.03 over the period 2011-2012. Possible factors affecting the Australian dollar's exchange rate in the short term are a possible weakening of the US dollar versus other major currencies and the strength of the global recovery and consequential demand for commodities.

Export earnings from minerals and energy commodities increased 27% over the period 2010-2011 to $175 billion. This figure is expected to increase by 21% to circa $215 billion for the period 2011-2012. Contributing to this increase are the expected revenues from alumina (up 21%), iron ore (up 26%), gold (up 47%) and copper (up 19%) (BREE and ABARES). Although oil prices have come off their peak recently, prices are expected to remain firm in the near term due to increased activity from emerging markets which should counter-balance an anticipated contraction in demand for oil from OECD countries. The value of Australian oil export revenues for 2011-2012 is expected to rise 13% to $13.3 billion.

In conclusion, investors will be actively monitoring the sovereign debt situation to determine when to reinvest. When this happens, we anticipate that there will be a strong bounce back in the markets which will be followed closely by substantial global inflationary pressure which in itself will drive substantial investment and interest in commodities.

Outlook

Despite the current volatility in the equity markets, the global economy is still expanding driven by demand from emerging markets. As a consequence we anticipate that gold prices will continue to remain at high levels. The drop off in most other commodities (in particular iron ore and coal) prices from their highs was always anticipated and should ultimately ease inflationary pressures which previously hampered central banks' ability to loosen monetary policies. This in turn should provide central banks with renewed opportunity to support the global economic recovery and consequently demand for commodities.

Most industry observers remain positive about the fundamentals for the resources sector, with future demand to continue to benefit from increased activity in emerging markets, notably China. In addition, supply shortages for certain commodities such as copper are likely to add support to the respective commodity prices in the near term. We do, however, believe that volatility will continue into 2012 and that there may well be risk of contagion from the debt crisis into the overall economy and in such a case, markets could as a consequence need longer to stabilise.

Nonetheless, your Manager has in the past demonstrated its expertise and capability to manage exigent market conditions by complementing the Fund's existing equity holdings with convertible note investments. The latter underpins the Manager's objective for capital preservation in volatile markets while positioning the Fund to capture the upside from its investment from both market growth and or when the company rerates from achievement in its milestones. The Fund's latest investment in Zambezi Resources Limited is an example of your Manager's ability to successfully secure such a transaction in testing market conditions and demonstrates the Fund's enhanced model of generating direct revenue streams to underpin its track record of delivering superior returns for unitholders.